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China Report

ECONOMIC AFFAIRS

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5 MARCH 1987

CHINA REPORT

ECONOMIC AFFAIRS

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NATIONAL AFFAIRS, POLICY

ECONOMISTS REVIEW FACTORS FOR ECONOMIC GROWTH

OW030240 Beijing XINHUA Domestic Service in Chinese 0711 GMT 2 Feb 87

[By Reporter Yu Youhai]

[Excerpts] Beijing, 2 Feb (XINHUA)--Reports from various sectors of the economy and regions have indicated that a favorable trend for growth has emerged in the Chinese national economy since the first month of this year. Despite New Year and Spring Festival holidays, industrial production, transport and communications, and commercial transactions have developed at a relatively fast pace. After summarizing and analyzing the current trend and other factors, economists here have predicted that China will be able to continue its stable economic growth in the second year of the Seventh 5-Year Plan.

Favorable material conditions cited by the economists are obvious. Restoration and improvement of farmland irrigation facilities and a rise in the output of chemical fertilizers and pesticides have provided better material foundations for grain production and the diversified economy in rural areas. An increase in energy and raw and semi-finished material supply has relieved the strain on the shortage of important resources in the industry, production, and construction projects.

The reforms now being deepened will undoubtedly become a powerful force boosting China's economic growth. Last year, we improved the economic responsibility system in factories, stores, and banks in the cities. In particular, we took a prudent step in separating the ownership from managing powers and intensifying external lateral cooperation for the invigoration of industrial enterprises, and in improving the macrocontrol of departments in charge of foreign trade for inducing foreign capital. These reform measures will be conducive to further harnessing the initiative and creativity of cadres and ordinary people and promoting the development of social productive forces.

Moreover, there are two other factors favorable to the national economy this year, namely, a brisk urban and rural market that will stimulate the development of commodity production, and a continuously rising world economy, which has caused the appreciation of some currencies, a benefit to China's exportation.

The economists pointed out, however, that not all the factors are favorable for Chinese economic development. A number of pressing problems need to be solved. They mainly involve an increase in the potential for agricultural production, for grain production in particular, further invigoration of large and medium-sized enterprises and readjustments of product mix to increase the output of marketable products, continued strict control of investment scale and readjustment of investment structure, and a balance between financial revenue and expenditure and reduction of excessive expenditure. All these are laden with destabilizing factors for the Chinese economy, to which we should never lower our guard. Currently, the party Central Committee and the State Council are mapping out a series of measures and mobilizing various trades and professions to increase production and practice economy, as well as to deepen the reforms, so as to achieve the continuous stable growth of the national economy and more effectively carry out the production and construction in the second year of the Seventh 5-Year Plan.

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CSO: 4006/327

NATIONAL AFFAIRS, POLICY

BOC PRESIDENT ON SUPPORTING NATIONAL GOALS

OW121836 Beijing XINHUA in English 1505 GMT 12 Jan 87

[Text] Beijing, January 12 (XINHUA)—The Bank of China (BOC), the state foreign exchange bank, gave due support to China's foreign trade, technical transformation of enterprises, tourism, contracted projects abroad and Sino-foreign joint ventures in the past year, according to bank president Wang Deyan.

Loans and investment outstanding at the end of 1986 totalled 1,658 million U.S. dollars more than in the previous year. Deposits in foreign currency and in renminbi were 78.8 percent and 124.17 percent, respectively, above the year's plan. And savings deposits in foreign currency reached 360 million U.S. dollars, 93.1 percent more than in the previous year.

The bank's renminbi loans outstanding for foreign trade enterprises stood at 75,517 million yuan at the end of 1986—49.2 percent more than in the previous year.

By the end of last year, Wang said, the bank had issued loans to over 900 enterprises involving foreign investment, which are about half of the total already operational in China. Foreign currency loans outstanding for these enterprises totalled 620 million U.S. dollars and renminbi loans, 1.87 billion yuan. Besides, the bank also provided consultancy and joint investment services to these enterprises.

Last year, the bank raised several billion U.S. dollars in long-term loans in international markets.

Moreover, it helped the Guangdong nuclear power plant to raise 429 million pounds sterling and 13,145 million French francs in import buyer's credits and acted as one of the lead managers for the consortium loans for the Pingshuo opencut coal mine, worth 475 million U.S. dollars.

In order to improve international settlements, many branches provided courier business, through transportation by land and sea, and prepared documents.

The number of credit cards and travellers cheques also increased by leaps and bounds last year, Wang said.

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CSO: 4020/107

NATIONAL AFFAIRS, POLICY

NOTED ECONOMIST LI DISCUSSES STATISTICAL REFORM

Beijing JINGJIXUE ZHOUBAO in Chinese 17 Aug 86 p 4

[Article by Yu Zongyao [0205 1350 1031]: "At the Fourth All-China Conference on Statistics, Li Chengrui [2621 2052 3843] Discussed the Question of Target Models and Model Changes in the Statistical Reform"]

[Text] At the recent Fourth Conference of the China Statistical Society, the famous Chinese statistician, president of the China Statistical Society, and advisor to the State Statistical Bureau, Comrade Li Chengrui, gave a scholarly discourse on the question of target models and model changes in the statistical reform.

When speaking of the principles for the selection of our target models in the statistical reform, Comrade Li Chengrui expressed the belief that these new forms must accord with the following principles: (1) They must comply with China's new economic system; they must be capable of providing a comprehensive statistical description and accurate statistical analysis of all activities in China's planned commodity economy, an economy that is based on the system of public ownership. (2) They must comply with China's new developmental strategy; centered around China's improving economic performance, emphasis must be placed on harmony between the development of agriculture and that of light and heavy industry; the emphasis must be on the execution of a strategy and policy of an overall development of the entire economy, of science and technology, of cultural affairs, of education, and of social affairs, to achieve a complete overall statistical description and statistical analysis. (3) There is the need to apply modern techniques of statistical science and accounting and to take advantage of any other relevant scientific achievements. (4) We must strive for beneficial economic and social results in all our statistical work. To have the target models of our statistical reform constitute a large system of social systems engineering, it is necessary, in his opinion, that the whole system be constituted by six subsidiary systems, namely (a) a system of statistical indices; (b) a system of statistical investigations; (c) a system for the handling and supplying of statistical data; (d) a system to ensure appropriate statistical organization; (e) a system of study and education in statistics; (f) a statistical legal system.

When referring to the two national economy accounting systems currently used internationally, the MPS [system of material product balances] and the SNA [system of national accounts, developed by the UN Statistical Office], and considering the question which one would be desirable to be employed by China, he analyzed the advantages and shortcomings of the two systems and concluded that while continuing the use of the MPS system, China should gradually increase the substance of the SNA system and employ both systems simultaneously, as the comparatively more practical way. However, the simultaneous use of the two systems does not mean allowing a protracted coexistence of both; gradually there should be a transition to a system of accounting and indexing for the national economy, which should possess particularly Chinese characteristics. As to the system of statistical investigation, there are presently also two models: the Western and the Eastern model. He was of the opinion that under the Chinese conditions of planned commodity economy, the local governments at all levels (mainly the governments of county and higher rank), particularly the large and medium-sized cities will for a long time to come have the functions of managing the economy and carrying out plans. This situation will demand that the statistical departments will not only have to provide statistical data for the nation as a whole, but also provide the local governments at all levels with economic data (a point which differs from the Western system). The method of reporting level by level to higher authority must, therefore, still occupy an extremely important position. On the other hand, due to the development of a commodity economy, the diversification of the ownership system and business patterns, there is an urgent need to take a lesson from the Western experiences, for instance, in the method of investigation by taking samples, in general investigations, and in using data from administrative business records. When referring to the handling and providing of statistical data, he said that in order to comply with the special way in which the various levels of government in China administer the economy and level by level require economic data, it should also be possible to achieve a breakthrough toward the Western conventional method of having the higher authority carry out a "supra-level comprehensive assembly," with the widespread use of microcomputers, and with a scattered way of handling at the lower local statistical departments. At the same time, we must also not, under certain circumstances, abandon manual computations of smaller amounts of statistical data. As to the supply of statistical data, he said that everything, with the exception of materials restricted for national or private reasons, may be provided to the general public, thus arriving at a "common enjoyment of information."

The process of changing the target models of the statistical reform must, in his opinion, proceed in the following four stages: (1) The stage of initial reform; (2) The stage of advanced reform; (3) The stage of initial formation of new models; (4) The stage of roughly completed new models. In Comrade Li Chengrui's opinion the primary condition for a move of the statistical reform from the initial to the more advanced stage, is a further transformation of mentality and enhancement of knowledge. That means, there must be a move from a mentality of attuning statistics to production economy toward a mentality of attuning statistics to a planned commodity economy, a move from statistics attuned to the mentality of the past developmental strategy to one that is attuned to a mentality that accords with the new developmental strategy, a move from a mentality that paid little attention to

raising the scientific and technological level of statistics to a mentality of having statistical work actively employ the armament of the latest scientific and technological achievements, a move from paying little attention to the beneficial economic and socioeconomic results to a mentality that pays particular attention to beneficial results. In this connection, he added that it is, furthermore, necessary to break with three outdated concepts:

(1) To break with the old concept that data collected level by level for submission to higher authority are absolutely correct; (2) To break with the old concept that all nationwide data must be linked with local data; (3) To break with the old concept that the system of statistical investigation throughout the country must be completely regulated throughout and uniform. When referring to the question of instituting on trial and extensively promoting "one set of tables for all basic units," it was his opinion that this problem is to be solved in two steps: The first step: to compile "a set of tables for enterprises" from the specialized statistical substance of the internal governmental statistical system, to be collated by municipalities and counties using computers and to be supplied individually to the various specialized agencies. The second step would be to institute on trial and extensively employ "horizontal" and "vertical" statistical for a "set of tables for basic levels" for enterprises. He, furthermore, dealt with the strengthening of the organizational structure and computing techniques as well as with the strengthening of the rule of law in statistical work.

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NATIONAL AFFAIRS, POLICY

RENMIN RIBAO ON CHANGING MANAGEMENT METHOD

HK291342 Beijing RENMIN RIBAO in Chinese 23 Jan 87 p 5

[Article by Gong Jinglong [1362 2529 7127]: "How To Shift Management by Government Departments to Management by Managing Bodies of Respective Trades"]

[Text] Long ago, it was imperative to shift management by government bodies to management by managing bodies of respective trades. The problem was raised from the highest organizations down to the grass roots for many years, but only little progress was made. How to push the work forward? There is a trend that deserves our attention. In other words, some people have oversimplified the work of shifting the management system. Instead of placing the focus of attention on reform of management system, they exert their efforts on streamlining administrative organs and transferring personnel to the lower level. It seems to them that once they complete the work of "cancellation, merger, and delegation of power," they can basically attain the objective of shifting management by government departments to management by managing bodies of respective trades. To do so, things might go contrary to one's wishes. This is because:

1. Management by government departments is a management system based on the needs for developing product economy and relies mainly on administrative means. Management by managing bodies of respective trades is a new management system based on the needs for developing socialist commodity economy and relies mainly on economic and legal means. If we abandon prematurely all previous administrative means before economic and legal conditions ripen, there will inevitably be a gap in management and unwarranted chaos and losses will occur in microeconomic development.

2. Management organs, as a management form, are determined by the management contents under a complicated management system. The reason we failed several times in the previous structural reform is was that we only attached importance to the form without touching upon the system. During the present reform, we should take a lesson from the previous practice of "restoration after abolishment, separation after merger, expansion after streamlining and inviting back after transfer to the lower level." We should grasp the crux of the matter, and follow a down-to-earth manner in carrying on the work of reform in an orderly way.

3. Conditions are needed in order to shift management by government departments to management by managing bodies of respective trades. External conditions include change in the guiding thought and management methods of government leading institutions at all levels, strengthening of the adaptability and flexibility of economic levers, further improvement of the economic legislative and judicial work, establishment of a unified internal market system, and so on. External conditions include efforts exerted by responsible institutions to delegate or return their power to enterprises, detachment of enterprises from their previous respective governing institutions, enhancement of the quality of the responsible organs and cadres in enterprises, carrying out step by step the work of establishing and improving guilds on a trial basis, and so on.

All this shows that a process of proceeding from one point to another is needed in the course of shifting management by government departments to management by managing bodies of respective trades, and readjusting the organizational structure of various responsible institutions. However, such a process is not long. The reform in shifting management by government departments to management by managing bodies of respective trades brooks no delay, and should be carried out before the completion of the overall structural reform. Proceeding from the present reality, we should find out the main factors that impede the work of management of managing bodies of respective trades and adopt some effective measures to overcome them in accordance with the principle of tackling easier problems first and proceeding in an orderly way so that the work of shifting management by government departments to management by managing bodies of respective trades will develop smoothly and progress be constantly made.

1. Reform in the statistical system should be reflected in the work of changing the calculation of production output value, profits and tax based on departments to that based on respective trades. Our current industrial statistical system is established on the basis of management by government departments. Production output is calculated and reported to the higher authorities in accordance with "product law," whereas the statistics on production output value, profit, and tax are compiled and reported to the higher authorities based on the relationship of consecutive subordination in accordance with the "enterprise law." This is a stumbling block to the implementation of the management system by managing bodies of respective trades. Proceeding from reality, we should reform our statistical system. The method of reporting output value in accordance with "enterprise law" should be changed to that of reporting it in accordance with "product law." It is not too complicated to specifically handle this matter. As long as production output is multiplied by fixed price, the figures and production output can be reported simultaneously to the statistical bureau and administrative departments that govern the products. This is also the case with profits and tax. Enterprises, which manufacture many kinds of products, should also separate the profits and tax of their products from the total profits and tax, and the figures can be reported to the higher authorities together with production output and output value. Reform in this regard is beneficial not only to the management by managing bodies of respective trades, but also to taking the same approach and enhancing the value of our statistical data.

2. We should change the planning and managing system. The distribution system based on departments should be changed to that based on respective trades in terms of funds and goods. With the changes in the channels for the distribution of funds and goods, when enterprises that manufacture the same kinds of products as others encounter difficulties, they may ask the sections responsible for the products for help, instead of seeking help from the former responsible institutions. In this way, the sections responsible for certain products may strengthen their links with enterprises that manufacture such products. This will further lay a foundation for management by managing bodies of respective trades.

3. We should unify the product assessment system and change assessment of products by government departments to that by respective trades. At present, assessment and public appraisal of products is an important means for strengthening management by managing bodies of respective trades. With the implementation of the assessment system by managing bodies of respective trades, enterprises that manufacture the same kinds of products may follow a unified technical standard of select products that can genuinely represent the advance production level of the whole country. At present, many products are not yet assessed by the managing bodies of respective trades. They are assessed by various government departments. As a result, although some products of the same kind are selected as high quality products, there is a fairly large gap between them. This has not only adversely affected the efforts exerted by enterprises of the same trade to learn from each other, but also brought difficulties to the provinces and cities concerned in selecting local high quality products. This method should be changed. In the future, when we appraise and assess products, the best products should be selected from among products of the same kind manufactured by enterprises in the same trade. Otherwise, the products will not be recognized as the best quality local products and the advertisements concerned will not be issued by the propaganda departments.

4. Planning by government departments should be changed to planning by managing bodies of respective trades. When working out a plan for developing national economy during the Sixth 5-Year Plan, the state repeatedly stressed that planning should be made by managing bodies of respective trades. However, due to the fact that conditions are not ripe, the aim was not achieved even when we were working out the Seventh 5-Year Plan. We have learned that the main reason for the difficulties in fulfilling the task was that various departments at both higher and lower levels lack coordination and the work of exchanging information. They fail to report their materials to the higher authorities. Even if the work is done, the development in different localities is not even. Some enterprises completely ignore the work. As a result, even though the planning was made by managing bodies of respective trades, it failed to play its guidance role. To truly implement a planning by managing bodies of respective trades, we believe that apart from compiling statistics, distributing funds and goods, and assessing and comparing products based on relevant trades, it should be clearly stipulated that the key capital construction projects and technical reform projects must be conducted on the basis of relevant trades. No other departments have the right to issue reports or approve projects that are irrelevant to them except those managing bodies of the relevant trades.

5. Financial structural system must be reformed. The practice of eating at different canteens should be changed to that of dividing different kinds of taxes, so that the central and local governments have a proper role to play and perform their own respective duties. Guided by the general planning of the state for a certain period of time, we should arouse the enthusiasm of various different trades. Governments of key cities should make more efforts to work out their urban planning, promote their public facilities, and do well in improving their cultural, public health, commercial, and educational undertakings. They must create better conditions for the production and operation of enterprises and provide a service for the daily life of workers and staff members. To do so, we must reform the existing financial structural system characterized by eating at different canteens. We must also divide different kinds of taxes at both the central and local levels and rationally fix the tax rate and determine the way to use the funds. Since local governments can obtain a certain amount of financial revenue from taxes, there is no need for them to try to extort something from industrial construction projects. In the meantime, this can also effectively stop the practice of exacting excessive payment from enterprises.

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NATIONAL AFFAIRS, POLICY

ECONOMIC DAILY OUTLINES PLANS FOR REFORM OF ENTERPRISES

OW021102 Beijing XINHUA in English 1034 GMT 2 Jan 87

[Text] Beijing, January 2 (XINHUA)—China will further reforms [in] enterprises and increase their vitality this year, ECONOMIC DAILY [JINGJI RIBAO] reports today.

The paper says in a commentary that the first task is to give enterprises more control in the operation of their businesses. Leasing and contracting out operations will be tried out in small state-owned businesses as well as in a number of medium-sized enterprises which make few or no profits. Reorganization of responsibilities should be carried out in large and medium-sized state enterprises.

Another endeavor, the commentary says, is to stimulate reform of management and to further implement the responsibility system for factory directors.

The paper also calls for reform in the wage and bonus system. The specific form of these new measures in this area should be decided by the enterprises.

As well, the commentary wants to encourage large key enterprises and plants to establish cooperatives under the principle of voluntary participation.

Leading organizations and departments are urged to decentralize their power to enterprises that serve them.

Local governments must ensure the new managers of contracted out enterprises have full autonomy to manage their own production and [that] their legal rights, in line with the contract, are protected. This would enable factory directors to concentrate on organizing production and management and help streamline administration.

According to the paper, the state will take important measures to enliven enterprises, including cutting and exempting the taxes of light industrial and textile enterprises and large and medium-sized key enterprises which invest in updating their technical equipment and improving awards to those who save energy and raw materials.

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CSO: 4020/107

NATIONAL AFFAIRS, POLICY

ENTERPRISES URGED TO FURTHER MANAGEMENT REFORMS

HK060338 Beijing CHINA DAILY in English 6 Jan 87 p 1

[By staff reporter Wang Gangyi]

[Text] Industrial enterprises throughout the country were urged yesterday to further management reforms, increase production and raise economic efficiency in the new year.

The three-pronged task will be China's priority for economic development in 1987, according to Lin Zongtang, vice-director of the State Economic Commission.

Lin said more steps would be taken this year to improve management of 7,000 large industrial enterprises because they are responsible for China's production quotas and state revenue income.

He noted that the key to increasing industrial output and bettering economic performance lies in the production of more marketable products.

He called on economic officials and enterprises' directors to come out with new management ideas, intensify market surveys, set up information networks and make their products more competitive on both domestic and international markets through technological advancement.

He added that all enterprises should attach great importance to their products' quality, which should be up to international and national standards.

He pointed out that the weakest link in the whole economy is the short supply of oil, electricity and imported raw materials.

"To ensure the production of in-demand products," Lin added, "special arrangement will be made in the supply of energy, raw materials, funds and transport facilities."

According to figures from the Ministry of Electricity and Water Resources, China generated a total of 445.3 billion kilowatt-hours of electricity last year, an increase of 9.4 percent compared with 1985. The figure represents a higher percentage than the growth rate of the national economy last year, which is estimated at 8.7 percent.

But despite this impressive increase, the nation-wide shortage of electricity will continue this year, the ministry predicted.

The vice-director stressed that to guarantee a sustained growth of China's agriculture in 1987, industrial enterprises should provide adequate chemical fertilizers, pesticides and farm machinery.

"They should also provide information and technical services to help farmers in processing their products," Lin said.

He said that increasing China's export earnings remains an important task for economic departments.

He predicted a breakthrough this year in foreign sales of light industrial goods and textiles, and said more Chinese machinery and electrical products will enter the international market.

According to the vice-director, China's total export in 1986 could increase by 11 percent, exceeding the year's target despite a \$3 billion loss in oil export due to a sharp decline in international oil prices.

Total industrial output value for 1986 is expected to reach 896 billion yuan (\$242 billion), an increase of 8.7 percent over the previous year.

Light and heavy industry will be up by 9 and 7.7 percent respectively, Lin said.

Production of steel, rolled steel, pig iron, cement and plate glass grew between 8 and 14 percent. The output of steel reached over 50 million tons for the first time in the nation's history, he added.

The official pointed out that last year's developments were achieved under the central government's prudent policy to cool off overheated economic growth in 1985.

"This policy has not only avoided sudden ups and downs of the national economy but also brought it back to a sustained, stable and coordinated development," he said.

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CSO: 4020/107

NATIONAL AFFAIRS, POLICY

ENTERPRISE OPERATIONS TO BE DIVERSIFIED

OW302323 Beijing XINHUA Domestic Service in Chinese 0902 GMT 26 Jan 87

[Text] Beijing, 26 January (XINHUA)--This year will see an intensive reform of enterprises'. What methods may be applied in running enterprises whose ownership and operations are separated? As this reporter has learned from a national economic work conference, the methods of operations may be selected according to the different characteristics of the enterprises, in line with the provisions promulgated by the State Council on boosting enterprises' vitality. That is to say, enterprises may be operated in a number of different ways.

According to a responsible person of the State Economic Commission, state-owned small enterprises and enterprises earning small profits or suffering deficits may be leased or contracted to others on a trial basis. As for state-owned big and medium enterprises, the following specific operational methods may be adopted. These methods may be adopted on a trial basis and gradually popularized by taking sure and steady steps.

--Operational contract responsibility system. The contracted operator is responsible for meeting the principal economic targets of the enterprise, while enjoying the rights, fulfilling the obligations, and receiving economic reward or penalty according to the contract terms.

--Enterprise operational responsibility system. In this method, the operational result of 1986 is taken as a base figure. The portion of profit equivalent to the base figure is subject to income tax at the rate of 55 percent, and the portion exceeding the base figure at a rate of 30 percent. This system is to be carried out for several years without change. It has been decided that this system will be test-implemented in Shenyang, Chongqing, Wuhan, Shijiazhuang, Wuxi, and Siping cities in 1987.

--Contract target system during the plant director's tenure. The targets to be met by the operator during the term of contract are set by the enterprise or decided by the operator, through public bidding. The operator is rewarded or penalized according to his actual results in meeting the targets. This system may be applied on a trial basis by those enterprises which have already instituted the plant director's responsibility system and set up the responsibility targets for their plant directors to meet during their tenure.

--Contract system linking the total amount of wages with the volume of tax and profit handed over to the state. Enterprises which have put this operational method into practice may continue to implement it on a trial basis.

--Input and output responsibility system. In metallurgical, petroleum, railway, and other industries, where the contract system is being implemented for the whole industry, input and output targets should be set up for, and met by each enterprise.

--Fixed amount responsibility system. Military industrial enterprises may implement this system.

In addition to the above, for enterprises in coastal areas with the heavy task of using foreign technologies and earning large amounts of foreign exchange, experiments may be conducted in applying certain management methods used by foreign enterprises. Support should be given to joint investment projects and lateral economic associations between the central and local governments, between regions, and between enterprises.

The responsible person of the State Economic Commission said that, in addition to the above operational system, all localities may try out other operational methods according to their specific conditions.

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NATIONAL AFFAIRS, POLICY

JOURNAL ON ENTERPRISE ECONOMIC RESPONSIBILITY

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[Article by Li Shu (2621 2885): "Perfect the Economic Responsibility Systems of Enterprises by the Flexible Employment of the Benefit Distribution Lever"—edited by Pan Shucheng (338 6615 3397)]

[Text] At present, how we are to perfect the various types of enterprise economic responsibility systems, which mainly operate by contracts, and further enliven the enterprises is a new question which has, under the new economic situation of the last year, been put forward at a higher level for urban economic structural reforms. The summation of our experiences over the last few years in implementing economic responsibility systems, especially the lessons learnt when, after the coordinated wage reforms at the end of last year, some areas reinstituted the system of "everybody eating from the same pot," have caused us to realize more clearly that in the implementation and perfection of the enterprise economic responsibility systems we must, through many angles and on many levels bring into more lively play the benefit distribution lever. If the benefit distribution lever is not enlivened, it will be difficult to bring the role of the economic responsibility systems into play. This point has been repeatedly proven by the practice of the reforms.

We Cannot Just Stress Pressure and Not Stress Motivation--Division of Responsibility Must Be Linked With the Drive for Benefits

Everybody knows that economic responsibility systems which have as the basic principle the combining of responsibilities, rights and benefits form a complete entity. The responsibilities are the core and the aim; the rights are the means by which to discharge the responsibilities and the benefits are the due rewards. When enterprises formulate economic responsibility systems, they do so in accordance with the structural sequence "responsibilities-rights-benefits." Through dividing responsibility into different levels, the task targets and the powers necessary to complete the tasks are given to individual posts and staff members, and clear-cut assessment and benefit distribution methods are established. The division of responsibilities ensures that "everyone shoulders targets" and that their immediate interests are directly affected by the pressure of their work responsibilities. However, if economic responsibility systems are to be active mechanisms for guiding people in carrying out production operations activities, after they

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have been established, their functions must be adjusted in accordance with the structural sequence "benefits-rights-responsibilities." This is like a clock. clearly outlining responsibilities, rights and benefits is like "winding up" the clock to produce an internal force. The implementation of the economic responsibility system is like the clock "ticking." It requires that the "pressures of responsibility" which are manifested as benefits be changed into a "driving force," which will make the clock tick. Thus, when we talk about implementing enterprise economic responsibility systems, this must include the whole process of the formulation and utilization of the economic responsibility system. Not only is there the process of "increased pressure" through the division of responsibilities, but also the process of "operation" involving the drive for benefits. It is necessary to link these two together. At present, most enterprises have established a type of economic responsibility system and completed the "process of increased pressure." But the key to the implementation of economic responsibility systems lies in strengthening the drive for benefits, and resolving well the problem of benefit distribution. This is where the impracticality of some enterprise responsibility systems at present lies.

An investigation we have recently carried out in respect of enterprises' implementation of responsibility systems shows this conclusion: After the enterprises' coordinated wage reforms, the economic responsibility system which had "vitality derived from contracts," went awry for a time and this affected production. What were the reasons for this? First, there was the reform of "self-paying" wages. For various reasons and considerations, the state implemented policies of tax exemption or reduced taxes with respect to loss-incurring enterprises and enterprises making small profits. This has increased enterprises "profits" which has resulted in changes whereby in many enterprises the wages are only "half self-paid," or "publicly-paid." The enterprises thus "only take responsibility for profits, not for losses," and profit-making and loss-incurring enterprises all eat from the big pot. The result of doing things in this way is that although some conflicts are resolved, it counteracts the initial aim of reform, and strengthens the enterprises' mentality of "not being responsible for losses." The result has been that the way the state regulates enterprises' distribution of benefits has not worked properly. Second the wage reforms have resulted in "everyone being promoted in a coordinated way and to a higher grade." Staff and workers incomes have changed from bonuses based on different grades to a wage-type egalitarian distribution. Front-line workers and supplementary workers, advanced workers and backward workers, veteran workers and new workers all eat from the big pot, and the way the enterprises adjust the distribution of benefits to staff and workers does not work properly. Third, the increases in wages have come from reward and encouragement funds. With the rise in the price of raw materials and other factors, the enterprises' profits have been greatly reduced and staff and workers' flexible income has greatly decreased. This has resulted in the system which relied purely on bonuses to regulate the income differences of staff and workers in distributing benefits not working properly. According to statistics from 59 industrial enterprises in Jilin which are within the budget, the amount of bonuses distributed in the first half of this year fell 32 percent from the figure for the same period last year. This was an average per capita decline of 22.8 yuan. Excluding wage adjustment factors, the average per capita monthly bonus was 2.89 yuan. Over

the past half year, an average amount of only 0.25 a month in bonuses was distributed. There were 17 enterprises which did not distribute any bonuses. The benefits distribution system did not work, while the economic responsibility targets were still on the shoulders of the staff and workers. This sort of economic responsibility system whereby there is pressure but no motivation obviously cannot work. Facts show that if we are to set in motion the "active mechanism" of enterprises economic responsibility systems, first we need to resolve the problem of distribution of benefits so that there is a sufficient "source for motivation" for people in production operation activities. This is the main direction for perfecting and deepening the enterprises' economic responsibility system.

It Is Not Possible To Only Be Responsible for Profits and Not Be Responsible for Losses—the Total Amount of an Enterprise' Wages Must Be Linked to Its Economic Results

If we are to vitalize the benefits distribution system, and implement the economic responsibility systems, first we need to enliven the primary level of benefit distribution—that between the state and enterprises. On the basis of results obtained in experiments over the last few years, I believe that a correct direction is to linking economic results with total wages. Although the present methods are defective in one way or another, by learning from experiences and lessons, they can be fully corrected. The key lies in the policies adopted from now on.

First, the link up should be complete. We cannot just link wages with profits and not with losses. We must truly realize that in a situation in which enterprises economic results improve quickly, total wages also climb by a quite large amount. In those enterprises where improvement in economic results is small, the growth in total wages should be appropriately small. In enterprises where economic results do not achieve the determined base figure, the total wages figure should be reduced. Loss-incurring enterprises not only should not be able to distribute bonuses, but they should make up the state's losses from their retained funds, even if this means that it must go into liquidation. Only if we are determined in doing this can we make enterprises and staff and workers feel, through their overall income, a responsibility in terms of profits and losses. When wages increase, it will produce a drive for profits, while when wages decrease it will produce a reaction to recover. This sort of self-balancing force within enterprises will be able to effectively correct enterprises' activities and form a good cycle for enterprises.

Second, there should be different linkage targets for different industries and enterprises. Things should not be done in a uniform way. Enterprises of competitive industries which aim for profits and which are closely linked with the market can have their wages linked to targets for tax payments. Those semi-competitive enterprises which are not too closely linked to the market and which involve natural resources can have their wages linked to costs, consumption, administrative expenses, and such targets. Those non-competitive enterprises which provide public and social services can have their wages linked to the quality, safety, and costs of their services. Here we must make clear that what we mean by a linkage target is actually a target system.

Thus, linkage to the amount of taxes levied will also include, apart from the major factor of tax payment, targets in terms of quality, costs, consumption and funds. Thereby, there will be a certain "veto power" on the target for taxes to be levied, in order to guarantee that the enterprise's growth in profits has been reached on the basis of improving quality, reducing consumption and cutting down costs.

Third, it is necessary to scientifically calculate linkage base figures and ratios and eliminate irrational factors. At present, a prominent problem faced in linking wages with taxes is that because of the serious distortions in prices over a long period of time, the inequality of investment opportunities and other factors, a situation has been produced whereby between industries and enterprises, there is an irrational disparity in incomes. Thus, fixing an absolute figure as a target for taxes will not be able to truly reflect an enterprises' operational and management level. Resolving and eliminating these irrational factors must be done on the basis of the degree to which price is divorced from value. This requires that different industries have different linkage base figures and ratios in accordance with industrial policy requirements. Also, different enterprises in the same industry should have different base figures and ratios in accordance with their actual operational levels, as this will encourage the advanced and spur on the backward. As for the linkage ratios in different industries, they should be set by the state in a unified way, to guarantee coordination between industries. The different ratios for different enterprises within industries should be set by the industrial management departments. Industrial management departments should, on the basis of recent price levels, make a statistical measurement of the average fixed asset profit-tax rates, cost profit-tax rates, output value profit-tax rates, and labor productivity for their industry. Based on these, the departments should set down a unified "base standard" for the operations management of the various enterprises within the industry. On the basis of this "base standard" they should further consider the technical equipment and staff quality of the enterprise and the levels it has reached in the past, and then they should formulate standards at different levels for different enterprises. Then the departments will have their enterprises divided into different classifications and can carry out assessments based on these different levels. There will be different profit-rate and productivity rate requirements for different levels to correspond with the different linkage base figures and ratios. Once an enterprise enters a certain level, the tax base figure for the amount of tax to be levied can be set in accordance with the requirements of the profit rate for that level. Doing things in this way will require the enterprise to improve itself both in terms of vertical time comparisons and also in terms of horizontal industry-wide comparisons. This will result in enterprises starting to race from a generally similar "starting line" and will change the negative clambering for benefits into fair competition for interests. This will thus be a motivating force in promoting enterprises' progress.

We Cannot Just Use the Bonus Lever and Not Use the Wage Lever--Staff and Workers' Incomes Must be Linked with Their Labor Achievements

In enlivening the benefit distribution lever, we not only must enliven things in terms of the total wages of staff and workers in an enterprise, but we must

also enliven things in terms of the individual income of each worker. That is, we must do well in the so-called second-level distribution. As far as motivating the enthusiasm of staff and workers is concerned, this is a more direct and important level. Based on the principle of distribution according to labor, the formula for staff and workers' income in the present stage of socialism can be summed up thus: staff and workers' incomes equal wages plus bonuses. The wage is the reward obtained by the staff member or worker for a certain amount of labor required by society and the enterprise. The bonus is the reward for that labor the staff member or worker puts in above that fixed amount. Here, regardless of whether we are speaking of the fixed amount of labor or above-quota labor, both involve labor achievements in the two areas of quantity and quality. As far as an enterprise is concerned, it must look at comprehensive results, involving output quantity, quality, costs and profits. It cannot simply look at labor "quantity." Labor without quality or benefits is valueless labor or wasted labor. Thus, when we talk about rewards in accordance with labor, we need to link workers' income with both the quality and the quantity of their creative labor achievements. When they complete their fixed amount of labor, they should obtain their wages and if they supply above-quota labor, they should obtain a bonus. However, at present, in many enterprises, because of the rigidity of the ideas of the "big pot" and vested interests which have formed over a long period, there is a failure or lack of willingness to do this sort of "structural" analysis. Rather, they used bonuses as a mean to encourage normal quota labor. If the staff and workers complete the fixed amount of labor, they are issued bonuses. If they do not complete the fixed amount, then they are just given their wages. This clearly goes against the principle of distribution according to labor. This has caused the situation in those enterprises where there were originally the extremely lively "double levers" to regulate distribution of benefits to change to a situation of a "single lever" of bonuses. The guaranteed minimum for wages actually guarantees the "iron rice bowl," which has resulted, to a certain degree in enterprises, only being able to encourage the diligent and not being able to penalize the lazy. An imperfect benefit distribution lever such as this will have a lot of trouble dealing with the demands of future price reforms and the annually increasing wage demands from staff and workers. Now, quite a few enterprises have comprehended this phenomenon from their own operational practice and have started to implement the roles of the "two levers." Some have "tied" together the total figures for wages and bonuses, others have "tied" together a part of the wages and the bonuses, and this is allowed to float through linkages with the completion of profits, costs, quality and output targets. Some enterprises have, in accordance with the characteristics of their production, instituted above-quota piece-work wages, while others have implemented diverse forms of wage contracts, and so on. However, in all these methods, the principle is that on completing a basic amount of labor, one obtains the basic wage and that if one does not complete this amount of work, a certain part of the basic wage will be deducted. It is only when one completes above-quota labor that one can obtain a bonus.

We Cannot Just Stress Retained Profits and Not Stress Costs--Reducing Materialized Labor Costs Must Be Linked With Increasing Actual Labor Costs

In the last few years, the pressure of increased costs for raw materials, fuel and labor has caused enterprises to stress potential internal tapping to increase production. They have stressed quality, reduced consumption, lowered costs, developed new products, and widely improved operational management levels. This has offset some of the price factors. However, as far as different industries and specific enterprises are concerned, whether price-rise factors can be absorbed and if so, to what degree, then apart from tapping one's own efforts, it depends to a large extent on the degree to which the original prices were divorced from value. Thus, we should of course commend those enterprises which have been able to increase profit levels since the price rises. However, there are many enterprises, especially enterprises which produce small-profit products that, although having increased profits according to calculations in terms of comparable items, have actually seen a reduction in real profits compared to the same period the previous year, and have even reached a situation in which profits are very small. How we are to deal correctly with these enterprises where profits have declined is a serious policy question. This is because in a certain sense, it is these enterprises which bear the great pressure of price increases for raw materials, energy and transport, and which by all sorts of means, make painstaking efforts and work hard in supporting the reform of the pricing system.

The problem at present is that because the profits of these enterprises have declined, the bonuses which were taken solely from profits have also declined over the previous year. Also, some of the bonuses have been turned into wages. This has put the enterprises in more difficult straits. Now, for most enterprises, it is not a question of whether or not they can achieve the four month bonus amount, but a question of not being able to pay necessary bonuses. Our bonus policies must be coordinated with the pricing reforms so that we can guarantee that the enthusiasm of these enterprises does not suffer a setback. This should be the basic starting point in resolving the bonus problem. The present economic situation requires that, in respect of the bonus problem, we must increase income and decrease expenditures. On the one hand we must use the limited funds in the key parts and links of the enterprises' operations. On the other hand, we should not only reflect the source of bonuses in the "profit form" through profits, but also we should reflect them in a "digestion form" through reducing costs. We must truly change the focus of work from the former situation of encouraging increased production to one which encourages improved quality, reduced consumption and costs, and improved operations. At present, apart from promoting bonuses from reducing the use of raw materials and energy, contracts for purchasing raw materials in short supply, for selling overstocked products and funds responsibility in workshops, we should, in an overall way, implement target cost management. We should also implement a transfer to link materialized labor costs and real labor costs. Namely, from the planned income from sales by the enterprises, we should deduct target profits, product tax and other supplementary taxes and determine the overall costs of the enterprise. Then with the overall costs of the enterprise as a target, we can separately allocate "cost responsibilities" to the various posts and individual staff members and workers in production operations. A bank within the enterprise will then carry out cost accounting and effective

controls. When it has been demonstrated that costs have been reduced, a certain proportion of bonus can be taken on the basis of the amount by which materialized labor costs have actually fallen. This type of "transfer linkage" by which materialized labor costs are reduced and real labor costs are increased will result in the random factors in the enterprises' production operations (including the prices of raw materials and other factors and market influences) being absorbed in costs, and through the method of guaranteeing the target of reduction of total costs, it will ensure the realization of the enterprises' profit targets. Thus, the state will get a large portion, the enterprises will get a medium portion, and the staff and workers will receive bonuses. Thus it will increase the power to encourage the enterprises' benefit distribution lever. This is a good method, of benefit to the state and the people.

We Cannot Only Pay Attention To Encouraging Producers and Not Pay Attention to Encouraging Operators--Enterprises' Operational Results Should Be Linked to Operator's Benefits

At present, the question of the encouragement of staff and workers has already attracted the attention of various sides. However, as yet the question of encouraging operators has not been considered an important problem. Some areas and enterprises have not dared to pay out contract encouragements offered to operators. In some cases, the encouragements have been offered, but operators have not dared accept them. Either the money is "handed over to the state" or used "to entertain guests." In accordance with the opinion of society, people are praised "handing things over to the state," and people are criticized for retaining funds. However, equally distributing it to staff members and workers as a bonus will not cause any fuss. Whether or not we recognize operators' benefits and whether or not we link an enterprise's operations with the benefits of the operator have become sensitive and unavoidable issues in the implementation of the enterprise economic responsibility system. Under the previous highly-centralized planned economy system, the enterprises external environment was one whereby "production depended on plans, raw materials were supplied, and products were purchased in a unified manner." Within the enterprise there was "collective leadership" and the factory manager had no ability to be responsible, no legal power to be responsible and no right to be responsible for the rise or decline of the enterprise. Thus he could not take any responsibility. However, following the development of the reforms, enterprises have gained expanded power, government and enterprise functions have been separated, ownership rights and operating rights have been divided, and the factory director (manager) responsibility system has been implemented. Enterprises have begun to enter the market place as relatively independent commodity producers and operators, and basic changes have taken place with respect to the director's position and the operational environment. The factory director is no longer the "implementor" under the "collective leadership" but the "decisionmaker" and "commander" of an enterprise's production and operational activities. Particularly since the implementation of responsibility systems that require factory directors to achieve certain targets during their tenure and since the implementation of the auditing and notarization systems, that require the factory director to be an enterprise's legal person representative, he has, through intense market competition, shouldered major economic and legal

responsibilities and faced the hazards of an operator. Actually, the responsibility systems under which factory directors are required to achieve certain goals during their period of tenure have become the "dragon's head" of the enterprise economic responsibility systems. If the "dragon's head" does not move, the "dragon's tail" will be difficult to swing. We cannot require the factory director to just take responsibilities and not give him factory director rights. Likewise, we cannot just expect him to shoulder the risks without considering his interests. This is not just the subjective wish of some person, but is determined by the objective laws of a commodity economy. At the same time, taking the operator's rights into consideration fully accords with the principle of distribution according to work. What the operators engage in is highly-intensive mental labor. This not only requires a quite vast knowledge of the theory and practice of production operations and management, but also strategic vision in terms of market science, as well as abilities in terms of planning and assuming overall command. The great "energy" which the operator puts into this decisive and complex labor and the value it creates certainly cannot be compared to that of an ordinary laborer. It relates directly to the success or failure of the enterprise and the basic interests of the staff and workers. We must break down the traditional labor concepts and value concepts which only stress production-type labor and overlook mental labor, and truly make the operators' interests a level in enterprises' benefits distribution structure. Thereby we can correctly handle well the relationships between the interests of "the state, the enterprises, the operators and the staff and workers." In an interrelated we must link the results of the enterprises' operations and the operators' benefits, and determine the rewards and penalties, and the appointments and dismissals in accordance with the actual achievements of the enterprise. In this way, the operators will not be outside the achievements of enterprise operations. Rather, their personal benefits and development will be affected by the pulse of the enterprises' operations and this will strengthen the operators' spirit of struggle. Only in an enterprise when there is both enthusiasm and creativity in the workers' productive labor and enthusiasm by the operator to take infinite pains in his operations management, can it be considered that there is complete enthusiasm, and only this can an enterprising force of self-development be produced. We must affirm the due rational benefits of operators, but under the current system we must also guard against people trying to obtain improper benefits. The linkage of operator's benefits and operational results should be reflected in the following principles: 1) Operator's benefits must be consistent with the benefits of the state, the enterprise and the staff and workers. Only with the benefits of the "three" as the "rising river" will the operator's benefits be able to "float upwards." The rewards and penalties must be handled in accordance with the targets of his period of tenure or with contracts. 2) The rewards and penalties for operators must be examined and approved by the upper levels and agreed to by the staff and workers' congress. Rewards and penalties cannot be decided by oneself (or by someone at the same level). 3) For those operators who have made major contributions, it is necessary to pay for contracts. They can be given large bonuses, but they should not be given bonuses one after another. Apart from the normal enterprise bonus, it would be better if they were given only a single bonus. 4) In deciding on operator's bonuses, it is necessary to consider the ability of the social mentality to accept it, and to increase it gradually. There should not be too much of a disparity between their

bonuses and those of the staff and workers. As the situation of the enterprises and their operations are constantly changing, this "degree" cannot be set down firmly. If an enterprise is facing bankruptcy and an operator can come out boldly and revive the enterprise, if the staff and workers are willing to "greatly reward" him, what is wrong with paying for a contract?

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NATIONAL AFFAIRS, POLICY

XINHUA ON SEPARATING OWNERSHIP FROM OPERATION

OW180156 Beijing XINHUA Domestic Service in Chinese 0701 GMT 17 Dec 86

[XINHUA commentator's article: "It Is Necessary To Emphasize the Separation of Ownership From Power of Operation"]

[Excerpts] Beijing, 17 Dec (XINHUA)--To emphasize the separation of ownership from the power of operation, improve the management system in various enterprises, and truly invigorate the enterprises will be important next year in reforming the economic structure.

Although the state accomplished some good results in the past year from some of its measures to invigorate enterprises, particularly from those measures on giving up privileges and instituting decentralization, the enterprises still fail to enjoy their decision-making power and their power in management, because their ownership has not been separated from their power of operation and at the same time some departments still seize power at will and excessively interfere with management. If we separate the ownership of the enterprises from their power of operation so that managers of the enterprises have full power to run their businesses, the enterprises will be further invigorated, their abilities to keep abreast of the times and deal with contingencies will be greatly strengthened, and their economic efficiency will be greatly improved.

To separate ownership from the power of operation is conducive not only to micro-flexibility but also to macrocontrol. Right now, the enterprises' production investments and wages are controlled by the state. However, in a large country like ours, it is difficult to adequately place all the enterprises under control. The enterprises cannot act flexibly if control over their production investments is too strict, while the enterprises will expand blindly if control over their production investments is too loose. If we are able to separate ownership of an enterprise from its power of operation, it will become a relatively independent economic entity and act as a legal person with certain rights and duties. It must exercise self-restraint over its acts, including production investments and wage readjustments, since it is responsible for the consequences of its own activities. All this creates a favorable condition for exercising macro-control.

The separation of ownership from the power of operation is clearly stipulated in the "Decision of the Central Committee of the Communist Party of China on Reform of the Economic Structure." We should boldly explore things in this connection and create a body of practical experience.

NATIONAL AFFAIRS, POLICY

GUANGMING RIBAO ON SOCIALIST ECONOMIC THEORY, PRACTICE

HK210705 Beijing GUANGMING RIBAO in Chinese 10 Jan 87 p 3

["Economics Trends" Column by Gao Xin (7559 2946): "Roundup of National 'Seminar on Socialist Economic Theories and Practice in China' held by Colleges and Universities"]

[Text] Recently, institutes of higher learning throughout the country held in Chengdu, Sichuan a seminar on socialist economic theories and practice in China. The meeting focused on discussing the socialist planned commodity economy, the enterprise joint stock system, the problem of whether labor is a commodity, and so forth.

The Nature of the Planned Commodity Economy

One view that is being planned has to do with form and the commodity economy and with content. The commodity economy gives expression to the nature of the socialist economy.

Another view is that the idea of "a planned commodity economy" is unscientific and that the idea of the socialist economy being the commodity economy should be put forth, with no need for the added word "planned." There are two main reasons. First, the commodity economy is an objective attribute. Being planned is a method or measure formulated subjectively. With the subjectively inspired word "planned" and the objectively existing "commodity economy" combined as an embodiment of the attribute of the socialist economy, there are inevitable suspicions about the subjective being imposed on the objective. Second, the idea of being "planned" cannot allow the distinction between the socialist commodity economy and the capitalist commodity economy.

A third view is that a planned commodity economy refers to the unity of the planned economy and the commodity economy on the basis of the socialist system of public ownership. The reasons are: 1) Both the planned economy and the commodity economy are the attributes of the socialist economy; 2) the planned economy and the commodity economy represent the unity of contradictions, the main aspect of contradictions being the planned economy; 3) the planned economy is an attribute peculiar to the socialist economy, and the commodity economy is a general attribute of the socialist economy; 4) being "planned" refers to the planned economy. We cannot just recognize the commodity economy and negate the planned economy.

The General and Specific Character of the Commodity Economy in the Socialist Economy

Some comrades consider that we must have a clear idea of the general and specific character of the commodity economy in the socialist economy and the linkup of such character. The general character of the commodity economy is mainly marked by the following three aspects: the pursuit of value; the use of the market mechanism; and the starting point and the end result of operation being the special economic interests of the commodity producer. The specific character of the socialist commodity economy refers to the peculiar attribute or metamorphosis of the general character of the commodity economy that comes with the restraint of the socialist public ownership economy, as mainly expressed as follows: Obtaining as much value or income as is possible, given serving the realization of the socialist purpose of production as a prerequisite; the planned regulation of the market by the state to generally bring the operation of the market mechanism in line with anticipated social goals; striving to realize a person's own peculiar interests, with the realization and promotion of overall social interests as a prerequisite.

Some other comrades point out that in promoting economic reform, we cannot just proceed from the general character of the commodity economy and must also meet the demands of the specific character of the socialist commodity economy. The reasons are: 1) The commodity economy is not an attribute peculiar to socialism. Therefore, it cannot be said in turn that the development of the commodity economy means the development of socialism. 2) The fundamental economic relations peculiar to socialism and the relations of the commodity economy represent unity of contradictions. The relations of the socialist commodity economy must be determined by the fundamental economic relations peculiar to socialism. 3) The general character of the commodity economy can find expression only through the specific character of the socialist commodity economy.

The Relations Between Planned Regulation and Regulation by the Market Mechanism

One view is that in developing a planned commodity economy, regulation by the market mechanism is fundamental regulation and planned regulation is only regulation in the nature of coordination.

Another view is that regulation by the market mechanism generally refers to spontaneous regulation. In the socialist commodity economy, such regulation cannot constitute fundamental regulation. It has the character of the review of an event and is of an uncertain nature. Planned regulation chiefly means providing society with the total volume compatible with social demand and structural regulation. Regulation by the market mechanism chiefly means regulation of individual volumes. Planned regulation is regulation of long-term supply and demand. Regulation by the market mechanism is short-term regulation of existing demand and supply. In this sense, only planned regulation is fundamental regulation, and regulation by the market mechanism is only regulation in the nature of coordination.

A third view takes issue with the separation of planned regulation and regulation by the market mechanism. It is contended that the mechanisms for the regulation of the planned commodity economy should be unified as one single kind of regulation, or planned regulation based on market forces. This is because in the socialist economy the planned economy and the commodity economy are a unified organic whole. Therefore, the mechanisms for the regulation of the planned commodity economy should also be unified as one particular kind of mechanism for regulation.

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PROVINCIAL AFFAIRS

HUBEI HOLDS CONFERENCE ON IMPLEMENTING SPARK PLAN

HK251530 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 24 Dec 86

[Excerpts] The provincial work conference on the spark plan, which concluded yesterday, decided that in carrying out the spark plan next year, the province must treat the market as its target; focus on economic results; mainly develop projects that involve little investment but can yield fast and good results; foster development in depth and breadth in such an order of priorities as trade, agriculture, and industry; and build up competitive trades and relatively concentrated production bases to promote invigoration of the local economy.

Based on this guiding thinking, there will be three main tasks for the province's spark plan next year.

1. Ensure the fulfillment of [words indistinct] items on schedule or strive to overfulfill them ahead of schedule.
2. According to the province's strong points and characteristics, stress should be placed on seven technological development projects, including the comprehensive technological development of the resources of aquatic products, aquatic animals, and fruits in areas along the golden course of the Chang Jiang and the comprehensive technological development of major mountain areas.
3. Train 1 million rural educated youths, rural technicians, and township enterprise managers.

The conference opened on 20 December. Vice Governor Liang Shufen attended the conference and delivered a speech.

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PROVINCIAL AFFAIRS

HUBEI HOLDS FINANCIAL CONFERENCE OF COUNTIES, CITIES

HK220237 Wuhan Hubei Provincial Service in Mandarin 1000 GMT 20 Jan 87

[Text] The provincial government recently held a financial conference of 15 counties and cities. Vice Governor Duan Yongkang presided over the conference and spoke.

The provincial party committee and government demanded that by 1990, the financial income of 6 counties and cities—Suizhou, (Tiantao), Jiangling, Tianmen, Dongyang, and Zaoyang—exceeded 100 million yuan, the financial income of another 6 counties—Laohekou, (Tuqi), Yingshan, Jianli, Yichang, and Daye—exceed 80 million yuan, and the financial income of Anlu, Hongan, and Hanchuan Counties exceed 60 million yuan. These counties and cities have a relatively good economic foundation and a reasonable economic structure. Their financial income also increased relatively fast. Developing the economy in these areas and increasing their income is for the purpose of letting some areas get rich fast and making more contributions to the country.

In accordance with the arrangements made by the provincial party committee and government, the provincial finance department will adopt due measures to give necessary assistance to these 15 counties and cities.

Vice Governor Duan Yongkang demanded that these counties and cities seriously strengthen leadership, cooperate well with each other, mobilize all positive factors, and exert joint efforts to make this reform successful.

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PROVINCIAL AFFAIRS

JILIN SECRETARY ATTENDS PLANNING CONFERENCE

SK220527 Changchun Jilin Provincial Service in Mandarin 2200 GMT 21 Dec 86

[Text] The provincial planning conference which ended on 20 December has defined 10 tasks for next year's economic work. Comrades Gao Di and Gao Dezhan made speeches at the conference.

The 10 tasks for next year's economic work are as follows:

First, we should ensure a stable increase in grain output, accelerate the development of a diversified economy and town and township enterprises, and comprehensively upgrade the level of the rural commodity economy. The grain output of next year should be resorted to the figure of before the disasters. Simultaneously, we should make good arrangements for cash crops and make great efforts to grasp the development of a diversified economy and the readjustment of the rural production structure.

Second, on the premise of increasing economic results, we should maintain an appropriate industrial growth rate; enthusiastically readjust the industrial product mix; vigorously improve the competitiveness of products, management and operations; increase economic results and the capacity for creating foreign exchange through exports; and make efforts to ensure increases in output value, income from sales, taxes and profits, and revenue at the same pace.

Third, we should comprehensively grasp various sectors of the economy and make prominent progress in developing the collective sector of the economy in both urban and rural areas. We should appropriately adopt flexible measures to delegate more decision-making power to the urban and rural collectively owned enterprises and strengthen the enterprises' vitality. We should further break the bounds between urban and rural areas, between industry and agriculture, between different trades, and between different sectors of the economy; but should organize them to conduct cooperation to seek mutual benefits and to make mutual development. We should adopt a preferential policy to encourage skilled persons to work in the lower levels and to bring their roles into play among collectively owned and town and township enterprises.

Fourth, we should further enliven the circulation field on the premise of ensuring that the markets are flourishing and stable, enthusiastically increase foreign exchanges through exports, vigorously promote the implementation of

the work of opening to the outside world, enthusiastically guide and support all trades and professions to enter the circulation field, develop commerce of a new type, run various kinds of markets, and make efforts to ensure the stability of urban and rural markets.

Fifth, we should strengthen management over investment work, readjust the investment structure, upgrade efficiency in investment, and increase reserve strength for development. Next year, we should concentrate efforts on ensuring construction of key projects, the projects to be continued, and technological transformation.

Sixth, we should continue to grasp the combination of science and technology and economic work to facilitate technological progress and to improve efficiency and quality; and should readjust layers and the structure of skilled persons and strengthen the cultivation of skilled persons of various categories. Through establishing a system of responsibility for certain items, we should conscientiously grasp the work of tackling scientific and technological problems and popularizing scientific and technological findings, implement the spark plan, and accelerate the transfer of popularization of new technologies.

Seventh, we should persistently serve the work of accelerating the development of the province's economic work, and conscientiously make achievements to enliven the financial and banking work. We should delegate power and financial resources to the lower levels, deeply carry out reform of the banking system; and make financial, tax, banking, industrial and commercial, and price departments bring into full play their role as an economic lever in readjusting the economic work.

Eighth, we should take into consideration both current and long-term interests and grasp in a step-by-step manner the implementation of the Seventh 5-Year Plan and the work of the earlier stage of the long-term plan. We should continue to grasp the implementation of key projects set forth in the Seventh 5-Year Plan, the construction of corn export bases, and the allocation of special funds for grain production. We should grasp the formulation of the long-term plan and deepen the development of the strategy study work. We should organize forces from all fronts to concentratively develop the work for the earlier stage of the long-term plan such as building four chemical industrial bases and petrochemical industrial bases.

Ninth, based on economic development, we should continue to improve the people's livelihood and conscientiously do solid work related to urban construction. Next year, we should control the prices of such nonstaple foods as vegetables, meat, eggs, and milk; and strive to ensure increased in the urban people's net income.

Tenth, we should strengthen the construction of spiritual civilization, bring into full play the role of ideological and political work in ensuring the development of reform work and economic construction, strive to explore new ways to strengthen and improve ideological and political work over the course of developing a commodity economy, and make efforts to deepen and enliven ideological work.

PROVINCIAL AFFAIRS

SHANXI OPENS LATERAL TIES MEETING ON BEIJING

HK200755 Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 18 Dec 86

[Excerpts] A Shanxi provincial meeting on developing lateral economic ties opened in the Nationalities Cultural Palace in Beijing on the morning of 18 December. Du Runsheng, director of the Rural Policy Research Office of the Secretariat of the CPC Central Committee, and Bai Qingcai, member of the standing committee of the Provincial Party Committee and vice governor, made speeches.

This meeting has been organized by the Shanxi office in Beijing. Taking part are responsible comrades of state organs and units concerned in Beijing, responsible comrades of the Beijing offices of various provinces, municipalities, autonomous regions, and cities who receive separate listing in the plans, together with responsible comrades of provincial departments concerned and representatives of some 60 factories, totalling 200 persons.

Du Runsheng said: This is a very important meeting for Shanxi and also for other places. This is because no country or region can develop with the doors closed. We suffered through closing the door in the past. The state closed its doors, and so did every province. Now we must open up.

According to experience, it is very important for a place or a province to possess resources. However, it is also possible to develop without resources. This is what Japan has done. What did she rely on? Markets plus technology and talent. Many places in China also lack resources, such as Wenzhou in Zhejiang. However, Wenzhou has [words indistinct] relied on commerce to lead forward the whole economy.

It is now extremely important to establish a unified market in the whole country. This requires the establishment of lateral economic ties throughout the country. Shanxi possesses resources, especially coal. That is no limit to the prospects for the use of coal. Shanxi also has many other minerals and local products. It can form a new resource zone. However, Shanxi is short of capital and technology. It needs to link up with other provinces and municipalities [words indistinct]. If Shanxi's resources and the technology and capital of other places are linked up, the province will display tremendous economic potential.

I therefore appreciate Shanxi's efforts in organizing lateral economic ties. By this means, a national market in major production materials can be set up. With such a unified market, China's economic development will be extremely fast. Unless we break down our closed-door concept, unless capital, technology, labor force, and resources are mobile, and unless links can be effected, it will be impossible to form a proper economic organization, and reform cannot result in economic development.

Comrade Bai Qingcai outlined to the participants the situation regarding Shanxi's economic ties in recent years. He expressed the hope that fraternal provinces, municipalities, and regions, would continue to cooperate in capital and technology, especially the latter.

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PROVINCIAL AFFAIRS

'OPERATION RESPONSIBILITY SYSTEM' UNDER WAY

OW261228 Beijing XINHUA in English 0855 GMT 26 Jan 87

[Text] Wuhan, 26 January (XINHUA)--A vice mayor of Wuhan yesterday handed certificates to 15 entrepreneurs, granting them greater power in enterprise management, as part of the experiment in the enterprise responsibility system.

The experiment aims at separating the ownership and managing right of large and medium-sized enterprises.

The new system entrusts to outstanding entrepreneurs greater management powers over personnel and profit distribution, among others.

On the other hand, the entrepreneurs have to achieve a "basic profit," which is decided on the basis of the average annual profit in the previous three years. If the profit is fatter than the "basic profit," more income tax will be exempted, and the wages will be increased.

On the other hand if the basic profit is not attained, then salaries are cut; and if this continues into a second year, the manager will lose his license.

Li Wangxu was one of the first 15 entrepreneurs to qualify for a certificate. The Wuhan bus plant has been entrusted to him to manage for four years. The 53 year old Li used to be the director of this plant, which has 1,800 workers and 12 million yuan in fixed assets.

According to officials of the city council, all the 15 enterprises involved in the experiment of "operation responsibility system" have more than 1,000 workers and fixed assets of over 10 million yuan.

Invigorating these enterprises is the focus of China's economic reform this year. The experiment is also underway in Shenyang and Chongqing.

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PROVINCIAL AFFAIRS

BRIEFS

SHANXI COAL EXPORTS--Taiyuan, 21 Nov (XINHUA)--Shanxi Province, China's leading coal producer, plans to export about 6 million tons of coal in 1987, up 48.3 percent from 1986, the provincial coal industry bureau said here today. This amount will account for at least 50 percent of the country's coal exports next year. Shanxi mined 210 million tons of coal last year--a quarter of China's total. [Text] [Beijing XINHUA in English 1315 GMT 21 Nov 86 OW] /6662

CSO: 4020/101

FOREIGN TRADE, INVESTMENT

CLOTHING INDUSTRY BECOMES MAJOR EXPORTER

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 6 Jan 87 p 2

[Article by Li Chunlin [2621 2504 2651]: "Clothing Industry Becomes Major Exporter and Generator of Foreign Exchange; Importing Technology, Creating Horizontal Associations, Improving Quality"]

[Text] The policy of opening to the outside and invigorating the domestic economy has given new life to the once rather depressed clothing industry and improved its capacity for exporting to generate foreign exchange. In 1986, this industry's exports generated \$1.6 billion, a 13 percent increase over the previous year, making it a major exporter and generator of foreign exchange. This is what this reporter learned in a meeting on clothing held by the Ministry of Textile Industry.

Chinese clothing is well made, but because of outmoded designs, inferior grades, and inadequate finishing, it has a difficult time getting into first-class stores, and this affects its generation of foreign exchange. In recent years, the clothing industry has boldly brought in advanced foreign designs and technology, vigorously developed foreign cooperation, improved quality, established a reputation, and increased its capacity to generate foreign exchange.

Cooperation with foreign businessmen, involving assembly of imported pieces, is a shortcut for the clothing industry to improve its technological levels and product quality. The Shanghai No 2 Clothing Plant is cooperating with the Oxford Co of America, contracting to assemble Western-style clothing from imported pieces, with both sides sharing in the profits. This plant strictly follows the American process and has also established a three-tiered inspection system involving inspections by an assistant plant director, by workers, and by a specialized setup. Their products have twice won awards from the Oxford Co.

Researchrs, designers, and producers are forming horizontal associations to develop new, high-quality products and have expanded the potential export market. The Shanghai Clothing Research Institute is joining with plants this year to develop 3,000 new products; they have twice participated in the Canton Trade Fair. The products most appreciated by foreign businessmen are now being produced by the plants. This year the China Clothing Research

and Design Center is recruiting the relevant research and design units and plants to go to Paris to participate in the World's Fair and publicize Chinese products; this will also give Chinese enterprises a chance to familiarize themselves with world clothing styles and designs.

More than 1,000 clothing enterprises have now begun to pay attention to improving clothing design, fabric selection, and finishing, thereby improving clothing quality. The Shandong Silk Co and the Beijing Shirt Factory are cooperating to produce a new type of shirt that resists shrinkage and wrinkling, using a special finishing process. Foreign businessmen are very satisfied with it, and it has increased the amount of exchange generated tenfold over ordinary shirts.

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CSO: 4006/263

FOREIGN TRADE, INVESTMENT

SUCCESS IN EXPORTS OF LIGHT INDUSTRIAL GOODS

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 29 Dec 86 p 3

[Article by Feng Xiao [7548 7197]: "Exports of Light Industrial Goods Achieving Good Results; Improving Coordination and Management; Establishing Worldwide Marketing Network"]

[Text] The China National Light Industrial Products Import and Export Corp (INDUSTRY) has fully met its export plans for the year one quarter ahead of schedule. As of mid-December, the entire corporation system had exported goods worth \$1.77 billion, an increase of 41.5 percent. For the year, it is forecast that exports will reach \$1.85 billion, exceeding state plans by 32 percent and setting a record for exports of light industrial goods since the founding of the PRC.

The assistant general manager of INDUSTRY, Li Wenqun [2621 2429 5028], states that the successes this year in generating foreign exchange through exports were especially noteworthy in the following two areas:

--Improving coordination and management and centralizing foreign business dealings. In the first quarter of this year, the corporation convened 51 meetings and special conferences on coordinating commodity prices. The corporation also adopted measures regarding sales of products in fiercely competitive markets to improve coordination and management; for products whose quantities and amounts are greater and which involve relatively complex operations, business dealings in their most active markets were combined and integrated.

--Active development of new markets and creation of a worldwide marketing network. INDUSTRY now has trade relations with more than 160 countries and regions; it has over 7,000 clients of all types including distributors and agents. This year the corporation's leading branch companies also sent more than 70 marketing teams abroad; they visited 70 countries and regions and had more than \$200 million in business. In addition to pushing products, they also looked at markets. Because of the lower dollar and higher yen this year, the corporation took the opportunity to increase exports of higher grade durables; its color and black and white televisions have begun to find their way into markets in the developed countries of Europe and America.

This year, contracts worth \$136 million were signed for exports to the Soviet Union and Eastern Europe, and the delivery situation has made a major turn-around over last year. This year, the corporation has paid particular attention to increasing its development of new markets, sending a long-term trade delegation to Australia, strengthening its office in Japan, establishing an office in the Netherlands, and dispatching additional personnel in charge of toy sales as well as permanent representatives of joint ventures to the FRG.

Li Wenquan also talked about plans for next year. In addition to taking advantage of every opportunity to expand exports next year, he says that there will be vigorous expansion of markets in the developed countries of Western Europe, North America, and Japan, on the basis of consolidating traditional markets. At the same time, management of the existing overseas enterprises and institutions will be improved, and it is also planned to set up offices and distribution in the major world markets and to establish a worldwide marketing network for light industrial goods.

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FOREIGN TRADE, INVESTMENT

SHAANXI'S USE OF FOREIGN CAPITAL GRATIFYING

Xi'an SHAANXI RIBAO in Chinese 22 Dec 86 p 1

[Article by Zhou Fu [6650 4395]: "Use of Foreign Capital Reaches \$1 Billion Dollars; 92 Joint Ventures Approved; Shaanxi's Use of Foreign Capital Gratifying"]

[Text] The use of foreign capital is causing gratifying changes day after day in Shaanxi's economy. To date, the province has made use of foreign-investment agreements totaling \$1 billion; of this amount, \$900 million was direct foreign investment, and \$70 million was foreign capital actually brought in. The province has now approved 92 Chinese-foreign joint ventures, of which 24 are already in operation.

--More than 10 technology-intensive projects have been started up. These projects bring in advanced technology and focus on developing new techniques and products, greatly increasing Shaanxi's strength in the area of advanced industrial technology. The Xi'an Instrument and Meter Plant and the Yokogawa Hokashin Electric Corp of Japan jointly run the Xi'an Instrument Yokogawa Control Systems Corporation, which imports all of the Japanese partner's production of meter panels and design and manufacturing technology for instrument control systems, thus promoting the development of China's instrument-control equipment technology.

--Several hotels have been opened, setting the stage for development of Shaanxi's tourist industry. The Jinhua, Harmony, and Yulan hotels are now open for business, and there are another 10 hotels being built or rebuilt. When all these hotels have been completed, the number of guest rooms will increase by more than 2,900, which will greatly increase Shaanxi's tourist capacity.

--Several Chinese-foreign joint ventures intended to generate foreign exchange through exports are being built. The Qinfa Native Produce Processing Corp, run jointly by the Chenggu Economic Development Corp and the Fenfa Import-Export Co of Hong Kong, using fresh ginger as its raw material, produces powdered ginger and sliced ginger; the products are exported to Hong Kong and Macao. There are now more than 10 enterprises of this type in the province.

Labor-intensive enterprises are using large numbers of peasant workers, promoting the development of economically backward regions. The Kaikai Knitwear Corp, run jointly by the Guanzhong Industrial Co of Qishan County, The Shaanxi Financial Investment Corp, and the Zhangde Corp of Hong Kong, has taken in more than 400 peasants from the local Zhouyuan area of Qishan County and produces a variety of wool sweaters. The firm's economic results are good, and the income of the local masses has been increased.

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FOREIGN TRADE, INVESTMENT

STRATEGIES FOR USING FOREIGN CAPITAL IMPORTED TECHNOLOGY

Beijing GUOJI MAOYI WENTI [INTERNATIONAL TRADE JOURNAL] in Chinese No 4
1986 pp 14-21, 36

[Article by Tang Jianyo [0781 1696 1342], Tianjin Social Science Institute:
"The Present International Financial Situation and Strategies for China's
Diversified Use of Foreign Capital and Imported Technology"]

[Excerpts] This article begins by analyzing the evolution of the international financial situation in recent years and its primary characteristics and proceeds to discuss strategies for China's use of foreign capital and imported technology, for the instruction of elders and experts.

II. Seek to Clearly Understand the Development Trends and Characteristics of the Present International Situation, Adhere to the Strategy of Diversified Use of Foreign Capital and Imported Technology

In order to adapt to developments in the international economic and financial situation, seize the initiative, better develop China's foreign economic and trade relationships, and promote the development of the national economy, we must, on the one hand, continue actively absorbing foreign capital and importing advanced technology, and accelerate the technological upgrading of domestic enterprises and readjustment and improvement of the national economy's industrial and technological structure; we must in addition further expand export trade, and strengthen our capacity for generating foreign exchange through exports, thereby increasing our capacity to buy abroad and promoting the stable growth of the national economy.

With the many forms in which developments in the present international financial situation are taking, diversified strategic policies should be adopted by China for the absorption of foreign capital and the introduction of technology. This implies the following:

1. Absorb foreign capital and import technology at multiple levels: China's use of foreign capital and importation of technology should be carried out at multiple levels. Specifically, this includes these areas: a) Regional levels. At present, China's use of foreign capital and imported technology can basically be divided geographically into four levels: the SEZ's, the open coastal cities and regions, the heartland, and the underdeveloped western regions. The economic and technical levels and

the responsibilities of national developmental tasks vary among these different regional levels and have an effect upon national economic development. Therefore, although each regional level should enthusiastically create the right conditions and use of foreign capital and import technology, in the short term this work should, however, gradually be pushed inland from the coasts. We must be clear that different geographical regions have different technical levels and resource advantages. We should carry out the policy of staged technology transfer and the policy of superior technical development in advantaged areas. On the one hand, we must take full use of the coastal cities and regions as windows in the absorption of foreign capital and technology, paying attention to improving their capacity to bring these things in. On the other hand, we must also take care to exploit the heart-land's advantages in economic resources and develop their economic relations with the outside. The key orientations for developing the absorption of foreign capital and the importation of technology by the different regional levels should be determined according to local conditions so as to create a rational structure for the economic and technical division of labor.

b) Organizational levels. Organizations at such different levels as provinces and municipalities, departments, and enterprises should be allowed to pursue the work of taking in foreign capital and importing technology so long as it is under centralized planning and coordination; for the present, however, special attention must be paid to coordinating and controlling duplicate efforts.

c) Industrial levels. The economy is an integrated system of economic growth that includes primary, secondary, and tertiary industry; the three industrial levels should all take in foreign capital and technology according to their needs and capacities. However, in order to promote a sensible readjustment of the economic structure and improve the economy's technical structure, foreign capital and imported technology should be focused on primary and secondary industry; in particular, the focus should be on developing energy, communications and transport, extraction, machinery manufacturing, agriculture, and other weak sectors of economic development. As for tertiary industry, the focus of foreign capital and imported technology should be on developing knowledge and improving infrastructure and urban services. Attention should be paid to ensuring that foreign capital and imported technology brought in by the three industrial levels conform to the requirements of the plans for uniform development of the economy.

d) Technological levels. The purpose of our taking in foreign capital is to introduce technology. In order to improve the socioeconomic benefits of bringing in technology, we must start with the actual situation, with our capacity to absorb, assimilate, and complement the imported technology, taking into account the various levels of technology: most advanced, advanced, applicable, and low-grade. For the near term, different technological levels should be considered for the different regional and industrial levels; assuming a technology is applicable, consideration should be given to how advanced it is.

2. Absorption of foreign capital and introduction of technology for multiple objectives: in order to adapt to the multilevel development of foreign capital and imported technology, and considering that there are different focuses of development within the different regional, organizational, industrial, and technological levels, the nation's use of foreign capital

and imported technology should be developed with multiple objectives. By taking in foreign capital, we must reach diverse economic objectives: making up shortages of capital, resource development and energy production, communications and transport work; importing advanced technology and developing new types of industry; undertaking technical reorganization and promoting technological progress; improving the industrial structure and product mix and promoting exports to generate foreign exchange; expanding tertiary industry and alleviating employment pressure, opening up the consumer market, etc. For this use of multiple objectives, attention must be paid to two problems. First, different industrial and regional levels must have different objectives and requirements; the open coastal cities and regions and secondary industry should focus on opening up new industries, introducing advanced technology for technical reorganization and readjustment of industrial structure, expanding exports to generate foreign exchange, etc., whereas the inland provinces and cities and primary and secondary industry should focus more on easing the shortage of capital, bringing in applicable and advanced technology, expanding employment and opening up the consumer market, etc. Second, care should be taken to see that the various objectives can fit together and be coordinated within the same industrial or regional level.

3. Use of foreign capital and imported technology through multiple channels: various approaches must be used to open channels for using foreign capital. In the channel of multilateral cooperation, attention must be paid to utilizing the preferential loans of international financial organizations. It is urgently necessary to solve the problems to project selection, setup, and appraisal. Forces must be mustered to select project options that are solid, reliable, and competitive. During the Sixth 5-Year Plan, China received \$4 billion in loan agreements from international financial organizations (including the World Bank, the International Agricultural Development Fund, and the European Investment Bank); but in 1985 along the World Bank was prepared to provide \$3.5 billion in loans to developing countries. This demonstrates that there is still great potential in the area of opening up channels of multilateral cooperation and competing for loans from the international financial institutions. In the area of bilateral cooperation, we must, on the one hand, take care to utilize government loans from the Western industrial countries and other friendly countries. During the Sixth 5-Year Plan, we went through bilateral channels to use \$4.2 billion in preferential loan agreements with foreign governments; there are now more than 10 lending countries. In this regard, we can also make use of exchange projects and mutual cooperation to continue competing for more aid and loans from foreign governments, through relationships with friendly countries and cities. On the other hand, we must also strive to make use of funds from developing countries, in particular the petroleum-exporting countries and the newly industrialized countries and regions. According to a report on 28 October 1984 from the Kuwaiti News Agency, investments by Arab countries abroad total from \$365 to \$420 billion; of this, official investments account for \$275 billion, and private investments are between \$90 and \$130 billion. Virtually all of these investments are direct, and about 20 percent of these funds have been invested in developing countries. In recent years the Arab petroleum producers have begun to invest in the

Asian-Pacific region; we should seize this opportunity and open up this channel. In addition, there is also potential in using funds from Singapore, Hong Kong, and other newly industrialized countries and regions. As for private investment channels, we should take in direct, private investments to the extent possible, particularly large amounts from multinational corporations. In taking in direct, private investments from abroad, we should focus on developing joint ventures and foreign-owned enterprises, taking care to reduce our investment risk.

4. Use of foreign capital and imported technology in multiple forms: international economic and technical cooperation takes many different forms. We should be flexible in applying the various forms to develop foreign economic relations. As for using foreign funds, there are basically two categories in current international practice, direct investment and indirect use of foreign capital. Each category takes several specific forms. Given China's recent experience in using foreign capital, the growth of varied methods of funds circulation in international financial markets, and the faster increase in the proportion of indirect financing, we believe it is not possible to declare sweepingly that direct use of foreign capital is better than indirect use, much less to urge singlemindedly that direct, private investment by foreigners should be made the strategic focus and main form of China's absorption of foreign capital. We should select and apply the method of raising capital that is most beneficial to China in accordance with the nature and characteristics of different industries and projects and in the light of a comprehensive analysis of the time constraints and modes of the foreign exchange balance and the profit distribution ratio. Generally speaking, projects making use of foreign capital, such as those related to the exploitation of natural resources, energy production and construction, communications and transport, infrastructure, agriculture, animal husbandry and fishery, water conservancy and electricity, export commodity bases, and so on, are suited to indirect use of foreign capital, such as loans from international financial organizations, project loans, international bond issues, and preferential loans from foreign governments. Projects in secondary industry, such as risk investments for developing production and processing industries, new-technology industries, new products and new technologies, light industry and textiles, food industry, electronics, etc., are suited to the direct use of foreign capital, such as the three forms of import processing and compensation trade, export trade, and joint, cooperative, and foreign ventures, etc. As for certain industries and projects in tertiary industry, in particular hotels, restaurants, car rental, etc., it is best to use foreign commercial bank loans, leasing and credit, and other indirect forms of foreign capital. As for importing technology, we should enthusiastically develop technological trade and the introduction of knowledge; using a flexible approach, we should introduce advanced technology, foreign S&T results, technical personnel, and advanced management methods and experience.

5. Developing varied foreign economic relations: China's use of foreign capital and imported technology should be developed in a varied manner. First, the concept of using foreign capital and imported technology should not be limited solely to capital and technology; it should also include other things, such as exchanges of information, personnel, and training. In the

realm of financial operations particularly, foreign financial cooperation, the introduction of foreign banks, and beginning and expanding overseas financial operations should gradually be developed, and exchanges and consulting in financial information should be launched, etc. Second, the use of foreign capital and imported technology should be closely integrated with overseas investments, technological exports, and exports of labor services and commodities. A salient characteristic of current international investments is the two-way flow of international capital. On the one hand, the industrially developed countries are not only capital-exporting countries but also the greatest capital-importing countries. In terms of direct international investments alone, more than 95 percent of the postwar international investment flow has come from the industrially developed countries, but only about 70 percent has been absorbed by those countries. Furthermore, neither are the developing countries exclusively capital-importing countries. By the end of 1982, nearly 50 Third World countries and regions had established 1,900 enterprises overseas, approximately 1,000 of those being industrial companies. As of September 1985, China had set up 161 overseas enterprises, with a total investment of \$148 million. Experience shows that coupling the absorption and use of foreign capital and imported technology with the development of investments abroad and the exporting of technology, goods, and labor is beneficial not only in increasing foreign exchange income and improving the capacity for foreign expenditures but also promotes the opening up of new channels for the use of foreign capital and imported technology, gaining access to economic and technical information on the international market, and expanding the scope of use of foreign capital and imported technology.

6. Diversified policy measures: in order to increase macrocontrol over the use of foreign capital and imported technology, improve socioeconomic benefits, and realize the strategic objectives of the use of foreign capital and imported technology, it is necessary to formulate diversified policy measures. Distinctions should be made between the different conditions, developmental tasks, and focuses of different regions, industries, and projects, in order to formulate different policy measures. There should be both preferential encouragements and restrictive measures. Moreover, measures should vary in their specific substance according to the different developmental objectives of the different regions, industries, and projects, for both preferences and restrictive measures; arbitrary uniformity should not be sought. For the present, the appropriate restrictive measures should be adopted for the many duplicative import projects, projects with low socioeconomic benefits, and projects or regions that are started blindly in the absence of proper conditions. At the same time, the development of nonproductive, non-exchange-generating projects using foreign exchange should be strictly controlled. But for those open regions where the proper conditions are present, for industries or sectors requiring focused development, for foreign investment projects with advanced technology and a good exchange--generating capacity and offering good socioeconomic returns, diversified measures for preferential encouragement should be adopted to foster their development.

III. Strengthen Macrocontrol, Promote the Healthy Development of Diversified Use of Foreign Capital and Imported Technology

With the present turbulence in the international economic and financial situation, and in order to reduce as much as possible the negative impact on China's economy of the international economic situation and fluctuations in the international financial market, the unchecked and risky use of foreign capital and imported technology and development of foreign economic cooperation should be reduced as much as possible. We should deftly proceed according to circumstances to promote the healthy development of the diversified use of foreign capital and imported technology. We must increase our survey analysis and scientific forecasting of the world economic situation and the international financial market. On this basis, and in the light of specific situations and actual problems in China's economic development, we should adopt flexible, effective, comprehensive policy measures and increase macrocontrol over the entire economic opening to the outside.

1. Adapt the Scale of Foreign Capital and Imported Technology to the Development of the National Economy

The experience of all developing countries in using foreign capital demonstrates that the use of foreign capital and imported technology is not something that can go unchecked. It is determined not only by the capacity to absorb and assimilate, but also by the capacity to repay. If the amount of foreign capital used is appropriate, the economy can be strengthened and a good cycle of economic growth promoted. Conversely, if the scale of foreign investment is too great, exceeding the capacity to repay, it may bring on a debt crisis, create a vicious cycle of economic growth, and weaken the economy. Therefore, the amount of foreign capital and imported technology used must be in proper proportion to the capacity to generate foreign exchange through exports and the capacity to match it with domestic capital and materials. As for repayment, when developing countries set about determining the scale of foreign capital to use, they generally take the debt amortization ratio as their basis and believe that the amortization ratio for foreign debt should normally not exceed 20 percent. As conditions vary from country to country, and because the amortization ratio for foreign debt actually only reflects the ratio of the capital and interest that must be repaid that year to the amount of foreign exchange generated that year, when the proportion of direct foreign investment is quite high this ratio cannot fully explain whether the scale of foreign investment used is appropriate. With specific reference to China, therefore, we believe that the scale of foreign capital use must be determined while insisting on the international balance of payments and maintaining appropriate foreign exchange reserves. A suitable ratio must be maintained between the amount of foreign capital used and current income in national and financial income and international revenue and expenditure, and the amount of accumulation funds and their internal structure in national income. In addition, it should also be recognized that the scale of foreign capital a country uses is restricted not only by domestic capacity to provide matching funds and to generate exchange through exports but also by the domestic capacity to provide matching material goods, as well as by the amount and structure of those goods. Therefore, only by taking into account the overall balance of

funds and goods, properly handling the relationship between need and capacity, and keeping the scale of foreign capital appropriate can good results be achieved and stable economic development be facilitated. Starting from this theoretical analysis and according to a forecast and analysis of China's economic development, the author believes that the scale of foreign capital for the Seventh 5-Year Plan should be about \$40 billion; by the end of 1990, the foreign-debt balance should be maintained at about \$29 billion, of which the state's planned borrowing should not exceed \$15 billion.

2. Clarify the Orientation, Adjust the Structure, Improve the Socioeconomic Benefits of Using of Foreign Capital and Imported Technology

In the last few years China's economic opening to the outside world has made great progress, and corresponding successes have been achieved in using foreign capital and imported technology. However, as far as the country as a whole is concerned, there remain a number of problems that urgently need to be resolved. a) The industrial and technological structure of the use of foreign capital and foreign technology is inappropriate. b) The focus and orientation of their use are not clearly defined, and their use is not adequately integrated with the capacity to expand foreign trade and increase exports to generate foreign exchange. c) The structure of the use of foreign capital funds need to be further adjusted. d) There is duplicative and uncontrolled importing. In order to solve these problems, and at the same time to take up the challenge of welcoming the world's new technological revolution and to adapt to the developing situation in the international economic and industrial structure and policy adjustments, we must be concerned with the following issues:

First, we must clearly define the primary orientation of our use of foreign capital and imported technology. Theoretically speaking, expanding foreign trade and increasing the capacity to generate foreign exchange through imports are the material foundation for our use of foreign capital and imported technology. And, in order to expand the generation of foreign exchange through exports, we must also undertake technical reorganization of Chinese enterprises, readjust the economy's industrial and technological structure and product mix, and increase the international competitiveness of domestic products. To this end, the primary orientation of our use of foreign capital and imported technology should be toward introducing advanced technology and accelerating technical reorganization of enterprises, improving industrial and technological structure, and promoting exports to generate foreign exchange. In addition, resource development, energy production, communications and transport, and the development of new industries should also be our primary orientation.

Second, the industrial and technological structure of our use of foreign capital and imported technology must be readjusted. At present, we must pay particular attention to controlling excessive investment of foreign capital in nonproductive tertiary industries; at the same time, we must also pay attention to controlling the introduction of low-level technologies and too many consumer-goods assembly and production lines.

Third, the structure of foreign capital sources should be suitably adjusted. Indirect investments account for more of the foreign capital used than do direct investments. Foreign capital comes primarily from Hong Kong, Macao, Japan, and the United States. Multilateral and bilateral official loans also account for a large proportion of the indirect uses of foreign capital. Given the international financial market's current trend toward diversification, we should readjust the structure of foreign capital sources and increase the proportion of loans from international commercial banks, direct private investment, and international bonds; we should also strive for economic and technical cooperation with the countries of Western Europe and achieve a diversification of our sources of foreign capital.

Finally, we must be practical in performing our preparatory work and project justification before using foreign capital and imported technology, and in absorbing and assimilating them afterward. From an overall perspective, we must ensure that each project involving foreign capital and imported technology strive for better socioeconomic benefits.

3. Establish a Centralized Coordinating Structure, Formulate Uniform Plans, and Guide the Smooth Development of the Use of Foreign Capital and Imported Technology

There were many factors in the phenomenon of unchecked and duplicative importing in China's earlier use of foreign capital and imported technology, but one major factor was the lack of a centralized coordination and command structure and uniform, nationwide planning. In this regard, the following measures should be taken:

First, nationwide plans by industry and sector should be drafted for the use of foreign capital and imported technology and, on this basis, regional plans and scheduling plans should be drafted for each open city and region and other provinces and municipalities, clearly defining the primary orientation, regional division of labor, and stages of growth for the use of foreign capital and imported technology, so as to avoid unchecked, duplicative, and excessive introduction of capital and technology.

Second, a systematic, plan management structure and system for foreign capital should be established to strengthen macrocontrol and plan for the proper handling of the relationship between foreign capital and the overall balance of the national economy. This requires, first, setting up a centralized foreign capital management structure to provide overall planning for borrowing, direct investment, and other forms of foreign capital and to avoid duplicated efforts. Second, a complete accounting system and stringent debt-reporting system must be set up as quickly as possible so as to quickly gather information on the nationwide use of foreign capital, so that the state will have prompt information on the scale and breakdown of foreign investment and can reduce its unchecked use.

Second, intersecting economic and technical information networks must be established and strengthened to coordinate the activities of regions and sectors and present a united face to the outside. Today's world is one of technological revolution and explosive news stories; failure to pay attention to the gathering, analysis, and transmission of economic and technical news will make it difficult to respond to the complex and changing international financial situation and, consequently, difficult to avoid facing risks and losses in foreign economic intercourse. In order to realize our economic opening to the outside, we must enthusiastically set up an intersecting economic and technical information network that includes all departments with economic functions. This information network should be highly efficient, multifunctional, and multidirectional. It must not only provide an information link between all open cities and regions and all sectors, do away with regional isolation, avoid unchecked and duplicative activities and internecine competition, promote coordination among regions and sectors, and present a united face to the outside; it must also undertake surveys and research on the international economic situation and financial market, analyze and forecast, forecast and provide data on trends in international interest rates and exchange rates, and provide information on investigations, surveys, and consultation activities conducted by foreign investors, in order to serve the coastal regions and inland provinces and cities, giving them favorable opportunities for adopting beneficial means of taking in foreign capital and imported technology and for developing foreign economic and trade relations.

Furthermore, in order to better promote our economic opening to the outside, we should also institute an overall and complementary reform of the economic system, particularly management systems for foreign investment, foreign trade, the foreign exchange, and the RMB exchange rate.

4. We Must Further Develop Foreign Financial Cooperation and Promote the Internationalization of China's Finance

The central bank and the Bank of China, which serves as the bank specialize foreign exchange transactions, should play a greater role in China's economic open door. The Bank of China should fully exploit its own advantages and good reputation to expand the scope and nature of its foreign financial cooperation, increase the variety of its business operations, increase its overseas financial institutions, and participate in the financial activities of international financial organizations and institutions. We must enthusiastically create the proper conditions to entice foreign banks to invest in China, to organize joint-capital banks or joint investment groups here and abroad, and accumulate international financial experience. In the near term, in order to avoid risky exchange rates and reduce risks and losses, we must increase research in international finance and regularly forecast trends in Western currency exchange rates and interest rates to serve as the basis for allocating funds in ways that will bring higher profits. At the same time, advice should be given to foreign trade departments on selecting the most appropriate currency for their activities so as to avoid or reduce losses through changes in exchange rates. To this end, we should also improve the training of specialists in international finance. We should engage in trading in foreign exchange, options trading, insurance against

exchange-rate fluctuations, and other operations, on a trial basis. The central bank is the state's centralized institution for foreign exchange management; at present, in addition to needing to speed up the completion of the foreign exchange planning and control system, the bank also urgently needs to adjust the RMB exchange rate. In the last year, comrades in theoretical circles and actual departments have spent too much time discussing this issue, so we shall not go into it in detail here. I believe that reform of the RMB exchange-rate system should follow two principles: the first is rationally setting the exchange rate to take advantage of its economic lever effect; the second is to make a distinction between setting the exchange rate and regular changes in the exchange rate. The RMB exchange rate should be adjusted regularly so as to adapt to changes in international currency exchange rates and in China's trade balance; however, these changes should not be too frequent, nor should major adjustments be made regularly.

In addition to the above policy measures, in order to better promote the opening to the outside and to improve the macrosocioeconomic benefits of using foreign capital and imported technology and developing foreign trade, we should also make comprehensive use of the various economic levers, such as interest rates, exchange rates, tax rates, finance, taxation, credit, pricing, etc., treating the different industries or projects in different regions and sectors differently, supporting the best of them, encouraging or restricting them. The policies and measures to encourage or restrict should differ according to the specific conditions of different times and regions. This is an important condition for realizing the strategic policy of diversified use of foreign capital and imported technology.

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FOREIGN TRADE, INVESTMENT

NONFERROUS INDUSTRY OPEN TO FOREIGN INVESTMENT

OWO41436 Beijing XINHUA in English 1302 GMT 4 Feb 87

[Text] Beijing, 4 February (XINHUA)--China's nonferrous metals industry has swung open its door which has remained shut to foreign investors. This has opened up broad prospects for the development of the industry, which is now experiencing a golden age in contrast to the dull international market.

Fei Ziwen, general manager of the China National Nonferrous Metals Industry Corporation, told reporters that its corporation will quicken its pace of introducing foreign investment this year.

According to the general manager, China has nearly 20 small non-ferrous metal projects with direct foreign investment and many others are being negotiated.

The nation's largest joint venture project in the non-ferrous metal industry, the Pingguo Aluminum Plant in the Guangxi Zhuang autonomous region, which is undertaken by China and Britain, has started construction.

Other projects already completed included the Non-Ferrous Metal Equipment Corporation formed by the Zhuoxian Aluminum Fabrication Plant in north China's Hebei province with the Kobe Steel Ltd. and the Shinsho Corporation of Japan, the China International Non-Ferrous Metals Leasing Co. Ltd. and the Aluminum Plant in Shenzhen.

In addition, the general manager said, China has imported from Japan, the United States, Federal Germany, Sweden and other countries, large amounts of advanced technology and equipment for non-ferrous metal mining, smelting and processing.

China is rich in non-ferrous metals, with output ranking sixth in the world and has more than 800 manufacturing plants employing 110,000 engineers, technicians and other workers and 10 training institutes.

The general manager said that China's aluminum production will be doubled during the Seventh 5-Year Plan period (1986-1990).

He said that his corporation will also use foreign capital to develop rare-earth, tin, antimony, lead, zinc and other metals and will offer a number of new projects for discussion at exhibitions and business negotiations to be held abroad later this year.

FOREIGN TRADE, INVESTMENT

MINISTRY OF FINANCE OFFICIAL ON ENTERPRISE PROFITS, TAXES

HD040946 Beijing CHINA DAILY (BUSINESS WEEKLY supplement) in English 28 Jan 87
p 1

[By staff reporter Dai Beihua]

[Text] The Chinese government is determined to ensure that foreign investors will be able to make profits from joint ventures designed to produce exports and those involving high technology.

This pledge was made by a senior official of the Minister of Finance. He also said the government would ensure such projects had access to China's domestic markets.

He said his ministry was now planning new regulations on finance and taxation which would give the most preferential conditions ever to foreign investors.

The official told BUSINESS WEEKLY that the government was implementing last October's 22 item provisions to improve the environment for foreign investment in China.

"We do not allow things like closing down on bankruptcy to happen to these enterprises," he said. "What we want is to make one enterprise successful when we decide to establish it."

He said that when foreign investors in export enterprises and technologically advanced enterprises remit profits abroad, the amount remitted will be exempt from income tax, which used to be 10 percent.

Further, after the expiration of the period for the reduction or exemption of enterprise income tax in accordance with the provisions of the state, export enterprises whose value of export products in that year amounts to 70 percent or more of the value of their products for that year, may pay enterprise income tax at one-half the rate of the present tax. These policies are retroactive to 1986.

Those enterprises qualified as technologically advanced enterprises will enjoy tax reductions for three more years on top of the preferential treatment already granted by earlier policies.

Those joint ventures which have no certificates of export nor are technologically advanced enterprises will also be given 50 percent tax reduction for three years when they start to make profits.

The official said that if a joint venture qualifies as both an enterprise and a technologically advanced enterprise, it will be allowed to choose which preferential treatments it prefers.

Foreign investors who reinvest in export enterprises or technologically advanced enterprises for a period of operation of not less than five years, will be refunded the total amount of enterprise income tax already paid on the reinvested portion. However, if the investment is withdrawn within five years, the amount of enterprise income tax refunded shall be repaid. This policy is also retroactive to 1986.

In carrying out the regulations, the Ministry of Finance will provide foreign investors with the following services:

- Consultative information about regulations, rules and provisions concerned.
- Feasibility studies on projects.
- Assistance with financial and accounting systems and personnel training.

These will help put the regulations into effect and help foreign invested enterprises be successful in China, the official said.

With the help of the government, several enterprises, which suffered losses or faced bankruptcy like the Fujian and Hitachi Television Corporation, the first joint venture in Fujian Province, have been recovering.

About 20 detailed regulations under the 22 provisions will be announced in the next few weeks, the official said.

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CSO: 4020/310

FOREIGN TRADE, INVESTMENT

BRIEFS

HAND TOOL EXPORTS--Beijing, 4 February (XINHUA)--Hand tools have become one of 30 key items on China's export list, an official of the China National Machinery Import-Export Corporation, said today. Last year, the corporation exported hand tools worth 130 million U.S. dollars to 118 countries and regions, and to boost future exports is updating existing factories and sending 100 groups abroad to do market studies. Now 50 percent of the hand tools exported, including carpenter clams, multiple-use bench vices and tire spanners, meet quality specifications accepted abroad. [Text] [Beijing XINHUA in English 0733 GMT 4 Feb 87 OW] /12913

CHINA STEPS UP TECHNOLOGICAL EXPORTS--Beijing, 4 February (XINHUA)--China is to step up its technological exports as a strategic shift in its economic dealings with the outside world. This idea was put by vice-minister of Foreign Economic Relations and Trade Zhang Haoruo to the China General Technology Import Corporation when speaking to its leading personnel recently. He said that the exports would become successful on the strength of quality, efficiency and good service. k He added that technology export would help raise exports of complete plants and electric equipment. The corporation was in the leading position last year in technology trade among all corporations in China. It contracted 3.1 billion U.S. dollars for technology imports and 180 million U.S. dollars for technology exports last year. [Text] [Beijing XINHUA in English 0722 GMT 4 Feb 87 OW] /12913

OVERSEAS FIRMS OPEN OFFICES--Beijing, 3 February (XINHUA)--Over 1,600 offices representing overseas firms now operate in China, according to a news report carried in today's overseas edition of the PEOPLE'S DAILY. These offices, opened over the past seven years, represent firms from 37 countries and regions, with Japan leading the list with some 600 followed by the United States with over 200. Over half of the representative offices are located in the Chinese capital of Beijing while others are located in a dozen other leading cities in various parts of the country. j Last year some 300 overseas firms opened offices while 30 firms closed their offices in China. The number of offices representing overseas firms is expected to grow further, according to the State Administration for Industry and Commerce. An official of the State Administration said that foreign offices are playing an important role in promoting cooperation between China and their firms, adding that China wants more overseas firms to open offices in the country. A directory of representative offices of overseas firms in China, compiled by the State Administration for Industry and Commerce, is now available. [Text] Beijing XINHUA in English 0926 GMT 3 Feb 87 OW] /12913

ECONOMIC ZONES

REFORM, TRANSFORMATION OF PORT OF DALIAN

Dalian CAIJING WENTI YANJIU [RESEARCH ON FINANCE AND ECONOMICS] in Chinese
No 3, June 1986 pp 9-11

[Article by Wei Fuhai [7614 1381 3189]: "Discussion of Reform and Transformation of the Port of Dalian"]

[Text] Dalian is one of China's 14 open coastal cities and a main window for the opening to the outside of the three northeastern provinces and eastern Nei Mongol. The Port of Dalian is a land and water communications hub for northeastern China and a major international trading port; there is now traffic between it and more than 70 countries and regions, and it has trade contacts with more than 140 countries and regions, with more than 43 million tons of freight handled there annually. In 1985, it handled 33.5 million tons of imports and exports, accounting for one-fifth of the national total. Dalian's important position is now recognized at home and abroad; in fact, were it not for the port, Dalian would hold no important position. How well the port's work is done affects not only the city of Dalian but the entire northeast as well. The leadership of the CPC Central Committee and the State Council attach great importance and concern to the Port of Dalian, having conducted many on-site inspections, and they have issued a number of important instructions regarding the work of the city of Dalian and the reform, transformation and construction of its port.

In recent years, port production has grown as the city of Dalian has opened to the outside; the level of mechanized freight handling has continued to rise. However, the port's inadequate capacity and the ever-worsening problem of pressure on ships and the port have attracted attention here and abroad. In order to ease congestion in the port, since 1985 the municipal party committee and government have made port transformation and construction a priority item, conducting in-depth surveys and studies, inviting Chinese and foreign experts to lecture and study, and formulating a program. Some problems are now beginning to be solved, and preliminary results have been achieved. After more than a year of practical experience and investigation, we have gained some understanding of the importance of the Port of Dalian and of how to transform, construct, and manage it.

First, the superficial phenomenon of the high occupancy rate of the port's berths masks the actual problem of low operating efficiency; an effort should

be made to raise operating efficiency. Originally, port production emphasized berth occupancy, and this referred to occupancy being some 80 or 90 percent, and to how much demand there was for berths. However, actual operating efficiency is very low. After a ship has docked, an average of only two holds of the ship's four or five are actually loaded or unloaded. High berth occupancy thus masks the real problem of low efficiency. This requires that if we cannot achieve higher berth occupancy, then we should effectively raise actual operating efficiency of berths. Although berths in the Port of Dalian are in heavy demand, they still have a great deal of potential handling capacity. In the last few years, we have put the burden of increasing handling capacity on increasing the number of berths; we have focused on constructing a new port while paying inadequate attention to exploiting the potential of the old port. Now, as we focus on constructing a new port, we should also be fully exploiting the potential of the old one.

Second, the old facilities are in conflict with modernized operations; the old port facilities and overall layout must be transformed. The Port of Dalian was built 86 years ago; port operations in that era were manual, with stevedores carrying cargo on their shoulders; berths were low-tonnage, warehouses were right at the edge of the dock, and loading and unloading were carried out within a very small area. Today, port operations and their scale have changed radically; cargo handling is mechanized, and berth tonnage is much greater. The capacity of the original warehouses and their layout no longer meet operating requirements, creating a conflict between the old installations and the demands of modern operations. New operating conditions must be created in the light of the new types of operations, and the overall layout of the old port area must be readjusted and transformed.

Third, the low crash-production capacity does not meet the demands of actual port production; an effort should be made to raise crash-production capacity. International shipping is subject to weather, the seasons, international market prices, international politics and economics, market demand, and other factors, and the number of ships arriving in port goes up and down. Port production is not very planned; rather, it is often rushed. But the production procedures and methods currently used in the port are for even production, and they are not suited to objective production requirements, thus creating a major conflict. When ships arrive in large concentrations and create a rush, the handling capacity remains at the original levels, which necessarily puts severe pressure on ships and on the port. To solve this problem, we must focus on the particularities of port production and improve operating conditions to adapt to the objective requirements of crash production. At nonrush times, having strong reserves will make it possible to muster these reserve forces when a rush does occur so that the rush can be promptly absorbed, alleviating or even avoiding pressure on ships and the port.

Fourth, it is unfeasible to rely solely on the port's own forces to relieve port congestion; it is essential to put the community's forces to work to properly relieve congestion. Experience has shown that relieving port congestion is not a matter for the port itself; community forces and the port must work together to deal with uneven production. In terms of its industrial base and economic conditions, Dalian has the capability to support the port in handling transport. The port's short-haul transport, cargo-handling

machinery, special wharves, special rail lines, etc.; can all be served by community capabilities; community cooperation can be recruited to better resolve the problems of pressure on ships and the port.

Fifth, port work is not a matter for the port alone; many links in port work may influence the pace of loading and unloading. We should study how to reform the management systems and operating procedures of the various port units so as to improve work efficiency and create the conditions for easing port congestion. Port problems are not merely those of loading and unloading, nor are they only problems of coordinating port and railroad. These problems involve many port departments, such as the port authority, the railroads, foreign trade, foreign representatives, customs, border inspection, commodity inspection, quarantine, etc. The customs, border inspection, commodity inspection and quarantine departments must all represent the state in properly performing their surveillance functions while at the same time improving the quality of their service and serving the cargo-handling and transport sectors, cargo owners, and shippers. The efficiency of these units directly affects cargo handling and transport in the port. In the past we emphasized the pressure on ships and the port, always focusing on the port while neglecting helping the mayor in specifically handling port and communications work.

Reform operating procedures and improve efficiency in port work: The various port departments, such as customs, border inspection, commodity inspection and foreign trade, have begun implementing reforms of their management systems and operating procedures; they are starting to see results in simplified paperwork and improved operating efficiency.

Reform the cargo handling and transport system and eliminate the monopoly over cargo handling and transport: For decades the Port of Dalian's cargo handling and transport have been handled exclusively by the Port of Dalian Consolidated Cargo Handling Co, which is not up to the task of relieving port congestion. Recently we recruited community transport capacity and established another consolidated transport company to come in from the outside and participate in back-transfers and cargo handling in the port, there being both cooperation and competition between the two companies. The closed, oppressive situation has been eliminated, and the efficiency of cargo handling and transport has clearly improved.

2. Build the new port and pay close attention to transforming the old port. In order to adapt to the growth of port transport, and taking the long-term view, development of the new port area must be speeded up. We must strive to complete the already started Heshang Island coal wharf ahead of schedule and to put it into operation in order to reap its benefits. We must also strive for early startup, completion, and operation of Phase Two of the Nianyu Bay crude oil wharf and the Dayao Bay new port area.

Transformation of the old port area involves little expenditure, fast results, and high returns, and it can gain us time. Operational and storage capacity in the port's forward area must first be expanded. In order to adapt to modern cargo-handling operations, planned, step-by-step transformation of the

old port area's overall layout must be undertaken. Nonproductive installations in the port area must be moved back from the forward area in stages, and the cargo yards and operations areas must be expanded. At the same time, the warehouses and yards inside the port that have long been occupied by the supply departments should gradually be cleared out and used to handle freight turnover in the port. Second, the loading and unloading equipment should be further modernized. For the time being, the focus should be first on transforming the container wharf installations and the bulk grain loading and unloading facilities to contribute to easing port congestion.

3. Improve port management: When the problem of pressure on ships and the port was studied in the past, many objective causes, but few subjective ones were sought. Pressure on ships and the port referred to too many unscheduled ships arriving in the port, and too few berths for them. And talk of easing port congestion focuses mostly on problems in the cargo-handling department, and especially the railroads, with problems in other departments in the port being neglected. In addition to the port authority and the railroads, other port departments, such as customs, commodity inspection, border inspection, quarantine, foreign trade, and foreign agencies, hold equally important positions. When a ship arrives, failure to promptly provide a routing slip for the goods may create confusion as to their destination and affect the efficiency of cargo handling. When heavy equipment is unloaded, late arrival of flatbed trucks to the port may affect the pace of unloading. The various port departments and segments hinder one another, and this, too, may lower port efficiency and reduce handling capacity. Port work is extraordinarily complex, with many different departments and segments. If we wish to promptly solve the new problems that may crop up at any time, we must have strong, authoritative, unified direction. The city has now strengthened its leadership over the port, with an assistant mayor serving as chairman of the port management committee; direction of the port production dispatching committee is now handled by the port committee rather than by the harbor director; the various port units participate in this work, promptly smoothing out conflicts and solving problems. The management spoken of here is still traditional management. Although there is great potential to be exploited in improving traditional management, we should also set up modern management, such as adopting computers, industrial television, and other modern management methods, to continue improving management levels.

4. Focus on the present salient problem of pressure on ships and the port, and ease port congestion: The problems of pressure in the Port of Dalian are those of loading export grain and unloading imported iron and steel and miscellaneous cargo. If these two salient problems are solved, pressure on ships and the port will be greatly alleviated.

Improving the transshipment and loading of grain means, first, improving short-haul transport, mobilizing and recruiting specialized and common vehicles, and meeting loading needs; second, implementing an economic responsibility system with partial contracts for the delivery, rail transport, short-haul transport, storages and other links for export grain, and mobilizing general enthusiasm; and third, using rear warehouses to regulate receiving, storage, and transfer. The practical experience of 1985 yielded

good results, and this work should be continued. In order to solve the problem of pressure on ships and the port and to achieve unloading upon arrival, we must focus on four points: first, improving direct transfers from rail to ship: Since 90 percent of the freight in the Port of Dalian is carried by rail, the availability of railroad cars has a tremendous impact on relieving port congestion. The city of Dalian has agreed with the Shenyang Railroad Office that the cars required by Dalian to relieve port congestion will be entered in the dispatching plans of the Shenyang Railroad Office, and car availability will be assured jointly by the Shenyang Office and the Dalian Branch Office. The two sides have signed an agreement to this effect, and an economic restriction approach is being used to provide cars for the port; this is being well implemented, with clear results. Second, expanding wharf storage capacity: Given the capacity of the store spaces, forward storage can be increased to provide for more unloading. Third, implementing (back-transfers) within the port: When wharf storage spaces are full, the unloaded cargo is immediately transferred back to the rear warehouses and yards within the port area, to be loaded later onto trains for transport out. Fourth, if it is impossible to ensure prompt unloading of all arriving ships even after the above measures have been taken, the unloaded cargo should be promptly loaded onto trucks for transfer to the rear warehouses and yards located 22 km from the port. In short, the above four approaches can be used to achieve to the extent possible the unloading of ships upon arrival in an effort to solve the problem of pressure on ships and the port.

Port work is systemic, encompassing a broad area and having a great overall impact; the pace of port transformation and construction must be accelerated to achieve clear results in easing congestion, increase freight-handling capacity, and better contribute to the four modernizations.

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ECONOMIC ZONES

SHANDONG'S YANTAI LEADS IN INDUSTRIAL OUTPUT

OW201423 Beijing XINHUA in English 1311 GMT 20 Jan 87

[Text] Jinan, 20 January (XINHUA)—Yantai, a port city in Shandong province, promoted its industrial output value by 21.8 percent last year to 10.27 billion yuan—leading the 14 coastal cities open to foreign investment.

A city government official attributed the achievement to a series of effective measures the government adopted to boost rural enterprises, which in turn contributed 4.1 billion yuan of industrial output value, 32 percent more than a year ago.

According to the latest statistics, the city also realized 1.5 billion yuan in taxes and profits, 10.9 percent more than in the previous year.

Since 1984, the city authorities have carried out foreign economic and technical cooperation to upgrade the technical standards of local enterprises.

By the end of 1986, the city had introduced 44 production lines, 2,135 sets of equipment, and 7 advanced techniques from abroad. These imports enabled local industries to boost their output value by 650 million yuan, the official said.

Meanwhile, the city also reinvested 280 million yuan in 120 technical renovation projects, which yielded an increased output value of 560 million yuan, and 120 million yuan extra in taxes and profits.

Yantai also sped up export-oriented production, and local foreign trade companies purchased [figure indistinct] million yuan worth of industrial products for export—a 46 percent increase over 1985 and accounting for 74 percent of the total value of the export goods.

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CSO: 4020/310

ECONOMIC ZONES

BRIEFS

MORE EXPORTS, FEWER IMPORTS--Tianjin--The second largest foreign trade port in China is coping with the country's move to encourage exports and control imports. Tianjin handled 6.94 million tons of export cargo last year, an increase of 28.2 percent over 1985, thanks to the port's efforts in technical renovation and improved management, a port official said. This accounted for 38.2 percent of the port's total volume of 18.18 million tons, compared with 29.2 percent of the previous year's total, Tang Benzhen, its chief engineer, told CHINA DAILY. But the port handled 280,000 tons less cargo last year than in 1985 because of China's "strict control" on imports due to limited foreign exchange resources, Tang said. The import cargoes it handled fell by 14.2 percent last year. They were 70.8 percent of the total volume in 1985. The port, which chiefly deals with bulk cargo and crude oil shipments, will continue to expand and renovate existing facilities. The State Council has permitted it to use its own profits for expansion and renovation. It plans to build 70 new docks by the year 2000, the chief engineer disclosed. At present, it has 34 docks. Troubled by inadequate information services, the port is scheduled to invest \$8.5 million to computerize management before 1990. [By staff reporter Song Ning] [Text] [Beijing CHINA DAILY in English 22 Jan 87 p 2 HK] /12913

CSO: 4020/310

FINANCE, BANKING

MORE NATIONWIDE TAXATION, FINANCIAL, PRICE INSPECTIONS

Beijing JINGJI RIBAO in Chinese 6 Oct 86 p 1

[Unattributed article: "State Council Decides to Launch Further Major Inspections of Tax Collection, Financial Affairs, and Commodity Prices This Year"]

[Text] The State Council has recently decided to launch a further nationwide major inspection of tax collection, financial affairs, and commodity prices this year. This major inspection will begin in October and will end before the Chinese New Year holiday.

The State Council's notice about carrying out a major inspection of tax collection, financial affairs, and commodity prices in 1986 points out that the primary focus of this major inspection is problems which have arisen in 1986, and problems which have occurred in 1985 but which had not been previously investigated or disposed of. Individual cases which involve comparatively large sums, or which are serious in nature, may also be traced back to years before 1985.

The State Council's notice points out that the chief substantive issues of this inspection are:

--violations of the national tax code's regulations by tax evasion or resistance to payment of tax, and transgression of the bounds of one's prerogatives by unauthorized reduction or avoidance of tax;

--violations of the national financial accounting system's regulations by use of various artifices to depreciate and withhold profits and other income that should be turned over to revenue agencies, and false reports of losses to illicitly obtain state financial subsidies;

--those who violate national commodity price policies, arbitrarily increase prices, charge unreasonable fees, and seek to obtain illegal income, as well as those who use public funds for entertainment and gift giving, or excessively grant bonuses, whether in cash, subsidies, or goods in kind, and wastefully squander wealth;

--those who practice corruption and embezzlement, swindling and bribetaking, and feather their own nests with public funds;

--in addition, those who are behind in their payment of taxes and profits will also be closely scrutinized, and collections will be expedited and deposits made in the state's treasury.

As to the method of this inspection, the State Council's notice points out that it will be by a combination of self-inspection and government inspection of priority cases. All enterprises, facilities, government units, and individual industrial or commercial businesses must conscientiously inspect themselves, and actively correct existing problems. Based on the self-inspections, each level of local government and each branch of the central government will organize work teams, and will carry out priority inspections of units with numerous problems. Local governments may also send out work teams to carry out priority inspections of units established by central government enterprises and facilities within their local jurisdictions, in addition to the inspections of these units made by persons sent from the responsible departments of the central government.

The Circular further emphasizes that policy should be implemented thoroughly, fairly, and realistically throughout the inspection process. The specific policies and guidelines concerning the handling of economic corruption and violations will be drawn up by the State Council's office responsible for taxation, finance and pricing investigation.

The State Council's Office of Major Taxation, Finance and Pricing Inspections will draw up policies to set limitations on handling of issues involving serious corruption.

Finally, the State Council's notice demands that the people's governments of each province, autonomous region, and city under direct administration of the central government, and each department of the central government, must effectively strengthen its leadership in this matter, and appoint provincial- or ministerial-level, leading cadres to be responsible for concentrating on the inspection work.

It is reported that, in order to contribute to smooth implementation of the inspection work, the State Council will go on to transfer a number of cadres from various branches of the central government, and to organize inspection work teams which will be led by ministerial-level cadres and will be dispatched to each province, autonomous region, and centrally administered city to assist and promote the work there.

13321/12858
CSO: 4006/77

FINANCE, BANKING

PROBLEMS OF PRICE CONTROL DISCUSSED

Nanchang JIAGE YUEKAN [PRICING MONTHLY] in Chinese No 9, 15 Sep 86 p 23

[Article by Gao Baoxiang [7559 0202 4382] of the Lin Qing City Pricing Office of Shandong Province: "Problems in Price Control Under Conditions of Multiple Channels of Circulation"]

[Text] Initial reform in the pricing structure and in the price control system has begun to iron out a certain number of unfair prices; there has been a start at overcoming overcentralization and excessive management, which has long existed in price control. Localities and enterprises have acquired specific authority to fix prices and have shown a certain flexibility in the methods they used to fix prices. All this, to a certain degree, is suited to the reform of the enterprise circulation system and plays a positive role in stepping up the production of goods, in unclogging circulation channels, in enlivening markets, and in causing the economy to prosper. However, because the old price control system and control measures have changed very little, many old regulations are still shackling people's hands and feet; consequently the contradiction in the price controls currently in effect not being suited to the new circulation system is quite pronounced.

First of all, the problem of overly centralized price controls and excessive management has still not been truly resolved. Much of the transferring to lower levels of management jurisdiction is still merely confined to layer-by-layer transfer downward within the various levels of administrative departments. Some commodities have long since been transformed from supply by the distribution system to an open form of management, but the concrete pricing which is being implemented is still centralized price setting. Moreover, it cannot adjust to changes in supply-and-demand relationships. As a result, the leveraging function of pricing cannot be brought into full play. In particular, this is all the more pronounced with regard to those superior, namebrand goods which are in great demand; superior-quality beer is an example of this. Because supply cannot meet demand, the breweries go after high prices, with the result that the main-channel units, which strictly adhere to policy, cannot bring in beer in line with the stipulated price. High-priced beer in the markets is thus a common occurrence, which gives a clear opportunity to some people to buy and resell at a profit, thus making private gains. For some commodities, the markets in the place of production stipulate the fixed prices; and the various circulation links at the selling points also stipulate fixed regional

or comprehensive rates of difference, causing such prices to become yet another form of planned fixed prices. Because there are too many fixed prices, operating enterprises at the same level of management have unequal economic benefits because of their varying distances from the commodity sources.

Second, the provision of "price control being turned over to those authorized" is extremely unsuited to the reform of the circulation system. Where there is commodity management with a closed type of distribution system and few channels, there has been overlapping management for a few types of goods among the primary operating units. At that time, it had already been made clear that in integrated markets and operating units the pricing provisions of the primary operating units were to be followed. In the "Provisional Regulations on Price Control" issued by the State Council in 1982, this was formally and specifically stipulated, and because it has been in effect for a few years, the problem of the unsuitability of this provision for the transformed commercial circulation system is all the more pronounced. The restrictions of this authorized control have resulted in a situation, widespread in society, whereby there is no definite price-setting authority except for the primary-channel operating units; countless commodities have their prices set by reliance on primary-channel units. At the same time, under the new circulation system, commodities were purchased from other sources by passing the local primary operating companies. Consequently, there appeared prices which were equitable but illegal. Since pricing personnel were lacking in the primary-channel operating units then, there was no way to assume the duty of supervising and inspecting the prices of outside units.

Third, because of the broadening of the scope of circulation channels, commercial operating units and individual households of all sizes and shapes were increasing daily. The difficulty in price control was even greater, the duties even more arduous, the circumstances even more complex; and the price control organs now in operation have not kept appropriate pace. Although pricing departments at all levels have become government function departments, they are still not sound in some areas. In particular, the strength of county-level pricing departments was even more weakened; most professional responsible departments and operating enterprises had no organs and personnel for managing prices. The system of controls was very unsound. The pricing system of joint state and commercial responsible departments and primary-channel units have basically not undergone a corresponding reform. The responsible departments and units which were not primary channels had fundamentally not set up a healthy system of rules and regulations, which resulted in a lack of regulations for controls, the setting of prices without data, the adjustment of prices without basis, a feeble transmission of information, and various other widespread problems. Because of the lack of controls, the problem of price violations arose frequently, and in particular it was very pronounced among individual households. And added to this, the disruption of incorrect styles increased the difficulty of controlling prices.

6722/12851

CSO: 4006/182

INDUSTRY

ZHANG JINGFU EMPHASIZES INDUSTRIAL SAFETY FIRST

OW272357 Beijing XINHUA Domestic Service in Chinese 0849 GMT 24 Jan 87

[By reporters Huang Fengchu and Zhang Jinsheng]

[Excerpts] Beijing, 24 Jan (XINHUA)--The eighth meeting of the National Industrial Safety Committee held in Beijing today had decided that the focal point of this year's work in national industrial safety be placed on highway and inland water transport. At the same time, it is necessary to pay attention to solving problems insuring safe production in township enterprises.

Zhang Jingfu, state councillor and chairman of the National Industrial Safety Committee, presided over today's meeting and delivered a speech. He said: We must resolutely implement the principle of "safety first." It is essential to regard safety conditions as an important factor in evaluating an enterprise. We must pay attention to safety measures from the beginning of each year, and as a regular practice and system. Various regions and departments must adopt feasible measures in close connection with actual conditions and carry out safety work primarily and basically.

After analyzing last year's industrial safety situation, the meeting pointed out: The number of incidents leading to injury and death in the country dropped, and those of a traumatic nature also decreased, thanks to the efforts of various regions and departments. However, the industrial safety situation is still unsatisfactory. Many serious traffic accidents have been reported. According to statistics, more than 100,000 traffic accidents were reported in various cities last year, causing 12,530 deaths and over 66,000 injuries. These figures represent increases of 11.4 percent, 3.8 percent and 3.6 percent respectively, compared with last year. More than 500 inland boats were sunk, leaving over 1,000 people dead. Economic losses thus incurred were enormous.

In order to fundamentally change the situation and insure inland waterway safety, the meeting called on people's governments at all levels to strengthen leadership, vigorously popularizing and implementing the "Regulations on Inland Waterway Safety of the People's Republic of China." The meeting had decided to continuously conduct industrial safety checkups throughout the country this year, with emphasis on coal mines, construction enterprises and building materials, firecracker, and asbestos manufacturers, and on guarding against the harmful effects of industrial dust in small and medium-sized enterprises in various cities.

INDUSTRY

IRON, STEEL DEVELOPMENT PROGRAM LAUNCHED

OW271000 Beijing XINHUA in English 0925 GMT 27 Jan 87

[Text] Beijing, January 27 (XINHUA)--China has launched an iron and steel development program by founding the China International Iron and Steel Investment Corporation (CSI), which will play a large part in absorbing foreign investment for the country's iron and steel industry.

Corporation President Bai Baohua told XINHUA today, "The new corporation is now actively negotiating with some well-known companies and economic and financial circles in Japan and Western European countries on building iron and steel mills and expanding existing enterprises."

The 46-year-old president said that with approval from the State Council, CSI is a state-owned limited-liability corporation under the jurisdiction of both the State Planning Commission and the Metallurgical Industry Ministry.

"We warmly welcome organizations, companies and individuals in economic and financial circles from different countries and regions all over the world, as well as overseas Chinese and compatriots from Hong Kong and Macao, to establish and develop cooperative relations and negotiate investments with us," he added.

He highlighted the main business areas as follows:

--To negotiate and conclude directly with foreign governments, organizations, enterprises and other economic organizations or individuals on setting up, reconstructing or expanding mines and steel plants with mid-term, long-term or short-term loans or in the form of joint ventures.

--To issue bonds or agent stocks in foreign countries, to arrange investment for the development of China's iron and steel industry and to handle mid-term, long-term or short-term trust and investment business and leasing.

--To be responsible for making inquiries, and technical and commercial negotiations and concluding contracts for importing or for purchasing from the domestic market technology, equipment and associated facilities, machine tools, raw materials.

According to the ministry, the last decade saw a rapid growth in China's iron and steel industry, with steel output exceeding 51.9 million tons in 1986, a net increase of more than 31 million tons compared with 1976.

But, there is still a long way to go to keep pace with the developing national economy. China is a huge country and has a population of more than one billion, so the steel production and consumption per capita remain at a low level.

To change this situation, China must accelerate the development of the iron and steel industry. China will strive to turn out 60 million tons of steel in the last year of the Seventh 5-Year Plan period (1986-1990) and try to raise the output to 80 million tons a year around 1995.

To this end, China will make efforts to attract more foreign funds while exploiting further the domestic capital market for the new iron and steel development program to build new steelworks and expand existing enterprises, which are now running at full capacity.

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CSO: 4020/101

INDUSTRY

SHIPBUILDING UP 18 PERCENT OVER LAST YEAR

OW161120 Beijing XINHUA in English 1110 GMT 16 Jan 87

[Text] Beijing, January 16 (XINHUA)--China built 347 vessels last year for Chinese and foreign owners and their total DWT was up 18.1 percent over the previous year despite a long depression in the international market.

Gu Guangshun, a spokesman for the China State Shipbuilding Corporation, told XINHUA here today that vessels built by China's major shipyards totalled 845,000 DWT, an all-time record in the industry.

"Among these vessels built last year, 16 are of and above the 10,000 DWT class," he added.

The industry earned more than 100 million U.S. dollars in hard currency by exporting four vessels, an oil platform and electrical machinery, and by repairing foreign ships.

New ship orders for this year have come in, the spokesman said, adding that the corporation has concluded contracts with Cuba, Denmark and Norway for building 13 ships, including a 118,000-DWT oil tanker.

Meanwhile, the Chinese shipbuilding industry has made notable progress technologically. The Dalian, Jiangnan, Hudong and Shanghai shipyards are able to build super-class vessels, on which more and more home-made equipment are used.

However, the industry is still challenged by a severe situation--70 percent of its enterprises have idling capacity. Chinese shipbuilders are trying to do more ship repairing and turn to the production of other commodities.

At the same time, the industry is trying to open up new markets and obtain 300,000 DWT ship orders.

The spokesman said they were negotiating with shipowners from Eastern European countries and the Soviet Union.

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CSO: 4020/101

INDUSTRY

ELECTRONICS INDUSTRY PLANS GROWTH

HK140048 Beijing CHINA DAILY in English 14 Jan 87 p 2

[Article by staff reporter Zhao Jinming]

[Text] China's electronics industry is redoubling its efforts to improve profits, carry on thorough reforms and boost exports.

The Ministry of Electronics Industry, the country's administrative body in charge of the industry, plans to raise the electronics output value to as much as 35 billion yuan (\$9.45 billion) this year, a 13 percent increase over 1986, Minister Li Tieying said at a national conference on electronics which opened in Beijing yesterday.

The industry hopes to deliver the state more than 3.4 billion yuan (\$918 million) in profits and taxes this year, a 12 percent increase over last year, the minister said.

In a bid to improve profits, the industry will make every effort to promote system-wide reforms in scientific research, education and marketing of products, he said.

The main emphasis will be on invigorating medium- and large-sized enterprises. Ownership and management will be separated. A responsibility system for directors plus various management systems will be introduced in these enterprises.

Leasing and contractual management of businesses will be practised on a trial basis in small enterprises. Group corporations will explore the possibility of share system, Li said.

In the new year, a hefty investment will be allocated to update obsolete technology and equipment with a focus on projects involving the energy and communications industries, he said.

More attention will be paid to the five main projects outlined by the Seventh 5-Year Plan (1986-90). They include production of powerful integrated circuits, colour television tubes and glass, program-controlled switchboards, video recorders and computers.

The industry will produce electronic products with more domestically-made components. The percentage of domestically-made components in colour TV sets will reach 85 percent this year, a 5 percent rise over last year.

The output of colour TVs, microcomputers and exports are slated for a significant increase this year.

Exports of electronic products and earnings from processing supplied materials are expected to be \$460 million this year, a 31 percent increase over a year ago, Li said.

Exports will mainly include both colour and black and white TV sets, cassette recorders, radios, electronic toys, computers, and the provision of overseas contractual projects, he said.

To promote sales, the industry will set up marketing, information and service networks at home and abroad.

By 1990, China's exports of electronic products are expected to reach \$1 billion, with an annual growth rate averaging 300 percent, he said.

To achieve this goal, the industry should develop new products that meet the needs of the world market and establish an export production network, he said.

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CSO: 4020/101

INDUSTRY

BRIEFS

BUILDING MATERIALS INDUSTRY--Beijing, January 17 (XINHUA)--Last year saw a 12 percent increase over 1985 in China's building materials industry and a 30 percent increase in its profits and taxes, the overseas edition of the PEOPLE'S DAILY reported today. Last year, China was estimated to have produced 160 million tons of cement and 50 million standard crates of plate glass, a 9.5 percent and a 1.2 percent increase over 1985 respectively, according to the paper. New building materials such as air-entrained concrete, air bricks and new-type interior decorative materials have been developed in China in the past few years to meet the growing need. According to the State Bureau of the Building Materials Industry, 68 projects in developing new products and techniques passed appraisal last year. China plans to turn out 155 million tons of cement and 55 million standard crates of plate glass in 1987, the paper said. [Text] [Beijing XINHUA in English 0752 GMT 17 Jan 87 OW] /6662

INDUSTRY REDUCES ENERGY CONSUMPTION--Beijing, January 21 (XINHUA)--China's industry consumed less energy last year and saved the equivalent of 30 million tons of coal, the State Economic Commission said today. Energy consumption for every 10,000 yuan worth of industrial products was reduced to the equivalent of 8.2 tons of coal, four percent less than in 1985. The commission said that the saving was realized mainly by readjusting the structure of production, and in fact there was no substantial drop in per-unit energy consumption, it said. [Text] [Beijing XINHUA in English 1217 GMT 21 Jan 87 OW] /6662

ELECTRONICS INDUSTRY MINISTRY STREAMLINED--Beijing, January 25 (XINHUA)--The Ministry of Electronics Industry has completed its restructuring aimed at separating the management of enterprises from its government functions, reports today's PEOPLE'S DAILY. Started last July, the restructuring has resulted in cutting those bureaus charged with administering enterprises and reducing the ministry staff by two-thirds. Now all the enterprises attached to the ministry are managed by local governments, the paper says. The surplus government employees will form the newly established service companies and research centers, which will no longer function as government departments. The Ministry of Electronic Industry has reduced its staff from the previous 3,200 to the present 950. [Text] [Beijing XINHUA in English 0819 GMT 25 Jan 87 OW] /6662

WASHING MACHINE PRODUCTION--Beijing, January 25 (XINHUA)--China produced nearly nine million household washing machines last year, 1.8 percent more than in 1985, according to the State Statistical Bureau today. This has made China the world No 1 washing machine producer, said an official from the bureau. In addition, the country exported six times more household washing machines over the previous year. Now more than half of urban households and a fairly large number of rural households own washing machines. Washing machine production first appeared in the statistical table only in 1978, when the annual production capacity was only 400. But the strong urge of the people to lighten household chores pushed the output up by leaps and bounds and even today, the brand name products are still hard to obtain. The washing machine industry is not finding itself challenged by a demand as more and more efficiency-conscious people have found that the machine saves only energy but not time and placed their hope on public laundries. According to the Ministry of Light Industry, the washing machine manufacturers are developing new and more efficient and time saving automatic washing machines to cope with the growing demand and striving to expand its external markets. [Text] [Beijing XINHUA in English 0825 GMT 25 Jan 87 OW] /6662

JIXI MINES INSPECTED--On the evening of 24 January, Minister of Coal Industry Yu Hongen, arrived at the Jixi coal mine to inspect its work and to extend Spring Festival greetings to the 400,000 workers and their family members in Jixi City. On 25 January, Minister Yu Hongen and other leading comrades inspected Jixi Xiaohengshan Mine, the open-cut mine, and the gas plant of the Jixi Coal Mining Administration. He spoke highly of the multipurpose coal mining machines produced by the machinery plant of the Jixi coal mining administration and of their great quantity, varieties, good quality, and high prestige. Minister Yu Hongen also told those present that in 1986 China witnessed for the first time a good situation in easing the contradictions between coal supply and demands. He said: In the future coal production of our country, we will continue to implement the principle of combining the efforts of the state and the localities. The state, collective, and individual units will be encouraged to participate in coal mining work. Large, medium-sized, and small enterprises will be developed simultaneously. [Text] [Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 26 Jan 87 SK] /6662

POOR COUNTIES TO OPEN MINES--Beijing, January 29 (XINHUA)--Next year, 200 underdeveloped counties in China will open mineral mines to help speed economic development, according to the latest issue of a geological newspaper. The Chinese Ministry of Geology and Minerals has set itself the task of locating mines with high economic value in these counties, the paper reported. According to statistics, China has over 2,200 counties, and 100 million peasants scattered in mountainous and border areas are still suffering from poverty. So forty ministries have decided to join forces to help them alleviate poverty by the year 2000, the paper said. At a recent national conference on geology and mining, the Ministry of Geology and Minerals has decided new measures to help poor counties, the paper said. The ministry encourages its geological personnel to work in hardship areas to help run mines,

and set up other industrial enterprises and schools, and these personnel will enjoy preferential treatment, the paper said. The ministry will also introduce its technological findings in poor counties, and help train local peasants in their practical application. [Text] [Beijing XINHUA in English 1252 GMT 29 Jan 87 OW] /6662

SHIPBUILDING INDUSTRY FIGURES--Beijing, 17 Jan (XINHUA)--China built 347 ships in 1986, totalling 845,000 tons; and completed 17 ships for export, totalling 365,000 tons. The ratio of ships built for military and commercial use was 1 to 4, and products other than ships manufactured by China's shipbuilding industrial enterprises accounted for 28.5 percent of the total output value of the industry. The industry also made many technological breakthroughs in 1986. The Dalian, Jiangnan, Hudong, Shanghai, and other backbone shipyards built the largest ships they had ever built. They also completed for the Navy modern guided-missile escort vessels, training ships, and practice torpedo tenders [ba lei ma jian, 7249 7191 3018 5324]. [Summary] [Beijing XINHUA Domestic Service in Chinese 0707 GMT 17 Jan 87 OW] /9274

IRON, STEEL PRODUCTION--Beijing, 1 February (XINHUA)--January saw China's iron and steel production exceeding state quotas as designated by the 1987 annual plan, the Ministry of Metallurgical Industry announced today. According to statistics, national steel output was 4.53 million tons in January, 9 percent more than that of the same period last year; that of pig iron, 4.29 million tons, an increase of 8 percent; and that of rolled steel, 3.44 million tons, up 8 percent. "China's 1987 annual plan for steel, pig iron and rolled steel stands at 53 million tons, 50.5 million tons and 42.2 million tons respectively," the Ministry said, adding production at the country's major iron and steel works was satisfactory. The Anshan Iron and Steel Company in northeast China, the country's largest, produced 650,000 tons of steel, 612,000 tons of pig iron and 446,000 tons of rolled steel in January, which accounted for 9.3 percent, 9.27 percent and 9.5 percent of the annual plan. The Baoshan iron and steel complex in Shanghai produced 267,000 tons of steel and 270,000 tons of pig iron in the first month, making up 12.1 percent and 10.8 percent of the annual plan. The Wuhan Iron and Steel Company, the second largest in the country, turned out 377,900 tons of steel, 377,600 tons of pig iron and 368,100 tons of rolled steel, 9.57 percent, 9.44 percent and 9.75 percent of the annual plan. [Text] [Beijing XINHUA in English 0844 GMT 1 Feb 87 OW] /12913

CSO: 4020/108

AGRICULTURE

SINO-FOREIGN AGRICULTURAL DEVELOPMENT BANK PLANNED

OW101636 Beijing XINHUA in English 1436 GMT 10 Jan 87

[Text] Beijing, 10 January (XINHUA)--China will initiate a Sino-foreign agricultural development bank in its bid to raise more funds for the rural economy, it was learned here today.

Negotiations will soon begin between the Agricultural Bank of China, international monetary organizations, foreign commercial banks and the International Agricultural Development Bank. The joint venture Agricultural Development Bank is to be set up in the Xiamen special economic zone in Fujian province, east China.

The foreign business completed by the Agricultural Bank will be accelerated this year, according to Ma Yongwei, president of the bank.

The bank will introduce 250 million U.S. dollars in World Bank loans for rural projects in 1987, plus 2 billion yuan Renminbi loans to facilitate the foreign loans, Ma told the bank's national meeting which opened today in Beijing.

"All branches involved should do the best possible job in project appraisal and in the management of loans to ensure good economic returns on the loans," Ma urged, adding that this is in relation to the international reputation of the bank.

The bank has helped distributed 168 million U.S. dollars in loans from international monetary organizations over the past three years.

In another effort to raise more funds, the bank plans to introduce 15 million U.S. dollars in commercial loans in the near future. The loans will be used in technical transformation of rural enterprises producing export goods.

The bank borrowed 5 million Swiss francs for the first time last year. The funds have already been put to use.

The bank has signed 17 letters of intent with 13 foreign banks.

The bank's domestic foreign exchange business is also expected to grow this year, Ma said.

Since 1985, eight branches including Shenzhen, Ziamen, Fuzhou, Guangzhou and Shanghai have received approval to deal in foreign exchange business.

Between January and November of 1986, they took in over 146 million Hong Kong dollars and over 4.44 million U.S. dollars in deposits, an increase of 63.2 percent and 201.6 percent respectively over the end of 1985. The loans issued amounted to over 83 million Hong Kong dollars plus 8.77 million U.S. dollars, an increase of 110.5 percent and 305.7 percent respectively over the end of 1985.

"More branches are expected to get approval to run the business this year," the president said.

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CS0: 4020/109

AGRICULTURE

WORLD BANK LOANS USED EFFECTIVELY IN SHANDONG

OW271013 Beijing XINHUA in English 0831 GMT 27 Jan 87

[Text] Beijing, January 27 (XINHUA)--A loan of 30 million U.S. dollars from the World Bank has helped transform three counties in east China's Shandong Province, according to the overseas edition of the PEOPLE'S DAILY today.

Qihe, Yucheng and Lingxian counties--grain and cotton producers--borrowed the money from the bank four and a half years ago to fund projects for improving the soil and irrigation facilities.

With approval from officials of the bank, the counties dug canal totaling 3,478 kilometers, built 3,653 bridges, sluice gates and other structures, sank 3,025 pump wells, equipped another 2,920 wells, and put up power transmission lines totalling 2,441 kilometers. As a result, 24,000 hectares of farmland were brought under irrigation, another 37,000 hectares equipped with drainage facilities, and soil has been improved on 479,000 hectares.

Grain output shot up 53.6 percent and cotton output grew 134 percent, comparing 1983-85 with the previous three years. Last year saw additional increases in both output and local revenue.

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CSO: 4020/107

AGRICULTURE

FARMERS TO RECEIVE INCENTIVES FOR MORE GRAIN

OW030950 Beijing XINHUA in English 0704 GMT 3 Feb 87

[Text] Beijing, 3 February (XINHUA)--Farmers are to be given special incentives to grow more grain as the state has called for production to be stepped up by 10 million tons to 405 million tons this year.

In the grain-deficient province of Fujian, the local authorities have set up a special fund for grain production this year. A total of 2 million U.S. dollars has been set aside this year for importing advanced farm machinery.

The province has also initiated a new agricultural system this year under which the state will sign a four year contract with farmers to buy all their grain, market it and transport it for sale in other areas.

To encourage grain production, the local government continues to supply state-subsidized fertilizers and diesel oil to farmers and give them some advance payments for grain quotas which they have agreed to turn over to the state after the harvest.

The provincial financial allocation will be increased for basic agricultural constructions, such as the breeding of fine crop seeds, transformation of low and middle yield fields and popularization of cultivation techniques.

In Sichuan, one of China's major grain producers, more than 28 million yuan (nearly US\$8 million) has been allotted for building commodity grain production bases and financing farming technology stations.

Low-interest loans totalling 20 million yuan (US\$5.4 million) will be granted to expand the use of plastic to cover rice seedling beds.

Since early winter, the province has started projects to maintain and extend irrigation and other infrastructural facilities in the fields, involving 6.2 million workdays.

The northeast province of Heilongjiang, known as one of China's granaries, has set an ambitious goal of boosting grain output from 16.5 million tons in 1986 to 19 million tons by 1990.

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CSO: 4020/109

AGRICULTURE

DEMAND EXPECTED TO INCREASE IN RURAL AREAS

OWO41743 Beijing XINHUA in English 1436 GMT 4 Feb 87

[Text] Beijing, 4 February (XINHUA)--The State Statistics Bureau is expecting a huge demand by Chinese farmers for more fertilizers, vehicles and building materials this year to improve their land and increase their income. This forecast follows a nation-wide survey of 33,125 rural families in 511 counties, according to the bureau.

The survey shows Chinese rural households will spend an average of 344 yuan (US\$90) on new production methods, fertilizer and pesticides this year--an increase of 70 percent over 1985.

In 1987, every rural household will need to buy 465 kilograms of fertilizer--89.5 kilograms more than in 1985.

Chinese farmers mostly prefer urea and compound fertilizer, followed by phosphate and potash fertilizers.

This year, each household will buy 4 kilograms of pesticides--33 percent more than in 1985.

Farmers want more varied pesticides for different plant diseases. They are also asking for detailed illustrations attached to the pesticides which should be properly packed.

There has also been a dramatic rise in the demand for plastic films for agricultural production. Every rural household will need 2 kilograms of plastic film this year, 140 percent more than in 1985.

The demand for diesel oil, gasoline and coal should rise dramatically, said the survey. In recent years, China's country side suffered from a shortage of energy, restricting farmers' purchasing power. Despite this, between January and September last year, farmers bought 100 percent more diesel oil and 65 percent more coal than in the same period in 1985.

This year, every farm will need an average of 40 kilograms of diesel oil, five kilograms of gasoline and 302 kilograms of coal, up 260 percent, 250 percent and 400 percent respectively over the 1989 demand.

The survey says that for every 10,000 rural households, 29 are expected to buy motor vehicles this year, nearly five times greater than in 1985.

According to the bureau, Chinese farmers are keen to improve their living conditions as their incomes increase. Meanwhile, the peak season is approaching for more young people to get married.

Despite price rises in building materials which have been in short supply, Chinese farmers' purchased in the first nine months of 1986 250 percent more cement, 230 percent more glass and 250 percent more steel than in the same period of 1985.

This year, every 100 peasant households will buy 72.5 cubic meters of timber, 20,691 kilograms of cement, 187 square meters of glass and 1,903 kilograms of steel products, up 410, 140, 600 and 270 percent respectively from 1985.

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CS0: 4020/109

AGRICULTURE

CHINA BUILDS MORE FOREST NETWORKS ALONG COAST

OW030946 Beijing XINHUA in English 0657 GMT 3 Feb 87

[Text] Beijing, 3 February (XINHUA)--China has built another "Great Wall" by planting 4.66 million hectares of forest along its 18,000 kilometer-long coast.

According to Gong Jinling, an official of the ministry of Forestry, the coastal forest involves 733,000 hectares of windbreak forest and 1.33 million hectares of field forest. The windbreak forest was planted along 6,000 kilometers of sandy coast line.

A network of coastal shelter-forest system known as patch, belt and net have also appeared in Guangdong, Shandong, Liaoning and Jiangsu provinces.

The official said that the coastal forest belt stretched from the Yalu river in the northeast to the Beilun river in the south, running through 180 counties in ten provinces.

He said that these areas averaged nine typhoons a year. The unchecked felling of trees had denuded the area of vegetation and caused serious damages to soil. Wind, sand, floods and droughts had frequented the areas, posing a threat to industrial and agricultural production and the life of the people.

China began constructing a coastal forest belt in the 1950s. The past eight years have witnessed a faster pace of reforestation. According to the natural environment, more than 10 types of trees have been planted to preserve either sand, soil, or rock.

"These belts have played a great role in improving the ecological environment," said Gong Jinling.

Pingtan county in Fujian province is reputed as a "wind mouth and sand sea." After the windbreak belt was planted the annual average wind speed slowed down from 7.6 meters per second to 6.4 per second; strong wind was reduced from 125 days to 71 days and the annual vapor evaporation declined 14 percent.

The official said that the coastal forest was also vital in withstanding natural disasters. A survey of the recent two years of typhoon damage showed that crop failures in the belt zone was under 10 percent and fruit crop losses

were below 5 percent. In contrast, in areas without a windbreak of trees more than 85 percent of the crops and about 30 percent of the orchards failed.

According to a plan of the Forestry Ministry, the forest in the coastal area will expand to 7.2 million hectares in 2000 and its capacity to prevent damage by typhoon, wind, sand, floods and droughts will improve to a greater extent.

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CSO: 4020/109

AGRICULTURE

AGRICULTURAL MACHINERY EXPORTS INCREASE IN 1986

OW041205 Beijing XINHUA in English 0931 GMT 4 Feb 87

[Text] Beijing, 4 February (XINHUA)--China's agricultural machinery exports in 1986 increased by 60 percent compared to 1985--an all-time high.

Jiang Chengxun, vice-president of the China National Agricultural Machinery Import and Export Corporation, said that foreign traders are interested in over 200 products including walking tractors, internal combustion engines, combine harvesters and other products.

Jiang also said that the quality of the products has been improved. Small tractors, small diesel engines and many other products have reached the advanced international level. Over 100 products from about 80 enterprises were named superior products by the state, and ten of them received gold medals.

It has been over 20 years since China began exporting agricultural machinery and the products have been exported to over 70 countries and regions. China has trade relations with over 40 countries and regions and has set up agencies in Hong Kong, Lahore, Lima and other cities.

The vice-president attributed all these achievements to the nation's current reform and open policy.

He said that the factories take direct part in market investigation and trade negotiations, as well as technical services. The government has also adopted policies to stimulate production and quality control.

China is active in opening new markets in South America and Africa, and adopting flexible trading methods including loans, barter trade and compensation trade.

He said that the corporation will be active in developing tractors and internal combustion engines and other major products with an eye on the South and North American markets this year.

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CSO: 4020/109

AGRICULTURE

SCIENTISTS UTILIZE ECOLOGY TO BOOST CROPS

OW301332 Beijing XINHUA in English 1304 GMT 30 Jan 87

[Text] Beijing, 30 January (XINHUA)--Using advanced ecological techniques Chinese environmental specialists have increased the value of crops by four times compared with harvests three years ago when their experiments first began, today's GUANGMING DAILY reported.

Scientists used by-products from other crops to help improve the ecological balance of the land and establish a cycle where one crop nourished and in turn relied on another.

For example they grew mulberry bushes on the embankment of a low-lying, waterlogged area and raised fish in the water. Zhong Gongpu, research fellow of the Guangzhou Research Institute of Geography, is quoted by the paper as saying the droppings of silkworms, raised on the trees, serve food for the fish. The fish droppings enriched the soil, which provided nourishment for the trees.

Experiments on the Pearl river and the Yangtze river deltas have helped form an artificial ecological system without waste or pollution but with greater output.

Zhong and his colleagues began experiments on 2.6 hectares of low-yield farmland in Guangdong province. in 1980. They first grew rice on the farmland and yielded 3,300 yuan per hectare. In 1982, they used the ecological cycle method to transform the same farmland and generated 8,598 yuan per hectare. The following year they produced 14,250 yuan per hectare.

Farmland applied with this method was expanded from 330.6 hectares in late 1983 to 683.9 hectares at present.

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CSO: 4020/109

AGRICULTURE

BRIEFS

DAIRY CONSUMPTION BOOSTED--Beijing, 3 February (XINHUA)--People in China's six major cities have increased their consumption of milk and dairy products by 90 percent thanks to a U.N. aid program. Under a dairy development project, the World Food Program (WFP) will supply China with 40,000 tons of dried skim milk and 13,330 tons of butter oil between 1984 and 1988. China will recombine them into liquid milk to boost its supplies in six major cities including Beijing, Shanghai and Nanjing. By the end of 1986, China had received 30,017 tons of dried skim milk and 7,609 tons of butter oil under the program, according to the Ministry of Agriculture, Animal Husbandry and Fisheries. The number of milk cows in the six cities have increased from 90,000 head in 1982 to the present 140,000 head. The combined daily capacities of dairy products processing plants in the six cities topped one million liters, double the 1982 figure, an official said. [Text] [Beijing XINHUA in English 1243 GMT 3 Jan 87 OW] /12913

LIVESTOCK OUTPUT RAISED--Beijing, 3 February (XINHUA)--New corporations, which combine animal husbandry with the processing industry and sales, are now thriving in China as a major means to improve the country's poultry and livestock industries. Twenty-six provinces, autonomous regions and municipalities have set up such corporations at the provincial level in addition to some 540 at the prefectural and country levels. There are also a number of corporations run by the collective or individual in rural areas. These corporations provide poultry and livestock farmers with fine breeds, medicine, facilities, feed, technical advice, economic information and sale services, helping to coordinate raising, processing and sales. A national corporation of this type in Beijing has joined forces with over 30 large and medium-sized cities to set up over 40 modern chicken ranches, over 20 feed plants, and over 30 dairy farms and milk processing factories. These facilities will provide those cities with the poultry and dairy products they need. [Text] [Beijing XINHUA in English 0808 GMT 3 Feb 87 OW] /12913

JIANGSU AQUATIC OUTPUT--In 1986, the gross output of aquatic products in Jiangsu Province was 8,050,000 tons, per capita output was 13 kilograms, a 100 percent increase over 1980. Per capita consumption was about 11 kilograms. Compared to the same period last year, prices of fresh fish have dropped about 10 percent in the province. [Excerpts] [Beijing RENMIN RIBAO in Chinese 4 Feb 87 p 2]

YUNNAN CIGARETTE OUTPUT--In 1986, the output value of the five cigarette plants in Yunnan Province was 15.7 billion yuan, an increase of 21 percent over 1985. Cigarette output in 1986 was 2,358,000 boxes. [Excerpts] [Kunming YUNNAN RIBAO in Chinese 6 Jan 87 p 1]

SICHUAN COFFEE EXPORTS--As of today, Sichuan Province has exported 600 kilograms of coffee beans to Hong Kong. [Excerpt] [Beijing NONGMIN RIBAO in Chinese 17 Jan 87 p 1]

ZHEJIANG RURAL SAVINGS--As of the end of 1986, rural savings in Zhejiang Province totalled 5.976 billion yuan, a 54.6 percent increase since the beginning of the year. [Excerpt] [Beijing NONGMIN RIBAO in Chinese 31 Jan 87 p 1]

ZHEJIANG TEA EXPORTS--Based on statistics of the Zhejiang Provincial Tea Import and Export Corporation, the province earned more than \$73 million in foreign exchange from tea exports in 1986. [Excerpt] [Hangzhou ZHEJIANG RIBAO in Chinese 21 Jan 87 p 4]

ANHUI VEGETABLE MARKETS--From January to November 1986, the state-owned vegetable corporations in 8 cities under the jurisdiction of the Anhui provincial government sold 74,000 tons of fresh vegetables, an increase of more than 170 tons over the same period in 1985. The retail price averaged 0.18 yuan per kilogram, a decrease of 5.26 percent over the same period in 1985. [Excerpt] [Beijing ZHONGGUO SHANGYE BAO in Chinese 22 Jan 87 p 1]

QINGHAI SALT OUTPUT--In 1986, Qinghai Province produced more than 700,000 tons of crude salt, exceeding the annual plan by 75 percent. [Excerpt] [Beijing ZHONGGUO SHANGYE BAO in Chinese 22 Jan 87 p 1]

TEA EXPORTS--In 1986, China's export of black tea increased 47 percent over 1985, and earned \$147 million in foreign exchange. [Excerpt] [Beijing NONGMIN RIBAO in Chinese 17 Jan 87 p 1]

CSO: 4006/322

CONSTRUCTION

OFFICIAL FORESEES MORE HOUSING CONSTRUCTION

OW231320 Beijing XINHUA in English 1205 GMT 23 Jan 87

[Text] Beijing, January 23 (XINHUA)--China will continue its boom in residential construction during the next few years, according to today's GUANGMING DAILY.

Zu Ronglie, chief-engineer of the Ministry of Urban and Rural Construction and Environmental Protection, said, "The country is trying to guarantee an apartment for every urban household with 8 square meters of living space per member, and 100 square meters for each rural household by the end of this century."

"China's residential construction has been on a large scale for the past several years, the likes of which have never been seen before," Xu said, adding the construction will continue until the need is met.

Xu anticipated, "In order to achieve the goal, China needs to build another 12.3 billion square meters of housing for rural dwellers, 2.5 billion for urban residents, 800 million square meters for factories and warehouses, and one billion for public facilities.

"Specifically speaking," Xu said, "for city dwellers alone, we have to build 167 million square meters, exactly 9,041 apartments, a year, which require an annual investment of 27.5 million tons of steel, 71 million tons of cement, 39 million cubic meters of lumber, 220 billion bricks and 32 million standard cases of glass."

"These figures were unimaginable in the past," Xu said, "but thanks to the reform and progress made in science and technology now we are confident and able to fulfill the goal."

"We still need to introduce more advanced science and technology from foreign countries to improve the quality of our work, raise efficiency and reduce costs," Xu said.

"Compared with advanced countries, China still lags behind in technology," Xu said and called on the country to learn from Japan and those European countries which worked to solve housing problems after the Second World War.

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CSO: 4020/101

CONSTRUCTION

BRIEFS

HEBEI ALUMINUM COMPANY--Beijing 29 Nov (XINHUA)--First-phase construction of the Bohai Aluminum Industry Company, China's largest aluminum production center, is now in progress, in the coastal city of Qinhuangdao, Hebei Province. The company, a subsidiary of the Beijing-based China International Trust and Investment Corporation, will initially manufacture 200 million yuan (54 million U.S. dollars) worth of products a year, including 10,000 tons of molded aluminum and 2,000 tons of aluminum doors and windows. Its annual output will increase to 250,000 tons after completion of the second phase in 1990. [Text] [Beijing XINHUA in English 0236 GMT 29 Nov 86 OW] /6662

URBAN HOUSING SURVEY--Beijing, January 19 (XINHUA)--Each urban resident in China now has an average of 6.32 square meters of living space, statistics of a nationwide survey show. Urban residents in Zhejiang Province have an average of 7.78 square meters for each, the highest in the country, while people in Liaoning Province have the lowest figure of 4.88 square meters, today's GUANGMING DAILY reported. Each urban dweller in Fujian, Xinjiang, Sichuan, Hunan, Hubei, Hebei, Jiangsu and Shanxi Provinces has more than seven square meters of living space, while those in Inner Mongolia, Guangdong, Tianjin, Shanghai, Heilongjiang and Jilin have less than six square meters. The paper said that 26.5 percent of all families do not have adequate housing, and the living conditions of 10.5 percent are substandard. Urban housing in China now totals 4.667 billion square meters in floor space, of which only 9.4 percent were built before liberation in 1949. Over the past three decades and more, the paper said, nearly 40 percent of the country's capital construction funds went to housing building. But due to population growth, each urban resident now has only 1.6 square meters of more living space than in the early 50s. [Text] [Beijing XINHUA in English 0636 GMT 19 Jan 87 OW] /6662

CSO: 4020/101

TRANSPORTATION

DEEP WATER BERTHS AT PORTS INCREASED

OWO20730 Beijing XINHUA in English 0635 GMT 2 Feb 87

[Text] Beijing, 2 February (XINHUA)--The Chinese Government has invested more than 200 million yuan (about US\$54 million) in building 10 deep-water berths at four foreign trade ports along the Yangtze River, according to today's CHINA DAILY.

The ports, which now have few large berths to accommodate ocean-going ships, are Huangshi and Wuhan in Hubei Province, Wuhu in Anhui Province and Jiujiang in Jiangxi Province, said an official of the communications ministry. He said that three 5,000 ton class berths will be built at Wuhan and Wuhu ports respectively and two each at Huangshi and Jiujiang ports.

Work on the projects, designated China's major construction schemes during its Seventh 5-Year Plan (1986-90), started last year. They will go into operation before 1990.

The projects are aimed at saving money and easing the strain on ships going into and out of China's largest port, Shanghai, which now has hit 110 million tons of cargo annually.

Currently, half of the imported and exported goods handled at the Shanghai port are going to and from the ports along the Yangtze River.

Although ports in Nanjing, Zhenjiang, Zhanjiang and Nantong, all in Jiangsu Province, have been opened to foreign ships, there are still many vessels that have to wait for loading and unloading at Shanghai, the official said.

When the expansion program for the four ports is completed, the country's ocean-going vessels will be able to go directly to them, thus quickening the pace of foreign trade and saving money.

The four ports, with a combined annual handling capacity of 15 million tons, will cope mainly with such export goods as light industrial product, minerals,

and farm products, as well as such imported goods as equipment, machinery and raw materials.

In 1986, 21 new berths were built in the coastal ports in China, bringing the number of China's deep-water berths to 214 and medium-sized berths to 162. They have a total annual handling capacity of 342 million tons.

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CSO: 4020/108

TRANSPORTATION

CONTRACT RESPONSIBILITY SYSTEM OF RAILWAY SECTOR DISCUSSED

Beijing RENMIN TIEDAOJU in Chinese 18 Jul 86 p 2

[Article by Sun Zhang [1327 4545], assistant to the president, Suzhou Railway Normal College: "Origin and Important Practical and Theoretical Significance of the General Responsibility System at the Railways"]

[Excerpts] The approval granted by the State Council to the Ministry of Railways to institute the economic responsibility system has evoked strong repercussions within and outside the railway system. It was generally believed by people of all circles that the reform of the railways is an important integral part of the reform of the national economic system and that it had as such not only a bearing on the development of the railways themselves, but also strong repercussions for all trades and enterprises. The foreign press too commented that the institution of the economic responsibility system at the railways is "one of the major industrial reforms" and "one of the more radical measures" instituted by China. A discussion of the important practical and theoretical significance of instituting the economic responsibility system at the railways will help us enhance our consciousness of doing a good job in instituting economic responsibilities at the railways, it will foster confidence in our certain victory and enable us to meet the test of this revolutionary storm with an excellent spiritual attitude.

Origin of the Economic Responsibility System at the Railways

Last May, when the CPC Central Committee compiled the Seventh 5-Year Plan, the party branch at the Ministry of Railways drafted an "Urgent Report," in which it used the words "fourfold crisis" to describe the passive and tense situation that prevailed at the railways at that time. To speak of a "fourfold crisis" at the railways is not merely a provocative statement to attract attention, nor is it an exaggeration, because the railways are presently indeed facing four great difficulties:

First, for a long time the railways were regarded as a purely profit-earning department, procuring large revenues for the state. Actually, railways are part of the public infrastructure. The economic benefits from railways are reflected mainly in the social benefits, among which the economic benefits from the railway departments themselves are only a small proportion. For

instance, in an additional shipment of 10 million tons of coal from Shanxi to East China, the income of the railway is around 100 million yuan. If we figure transportation costs at 50 percent, the railway produces a profit of 50 million yuan, while the overall industrial value is increased 15 billion yuan, the ratio between the two figures being 1:300. The social benefit created by the railway is, therefore, far higher than its own economic benefit, and this is the reason why many countries financially subsidize their railways.

Due to the fact that railways were merely regarded as purely profit-earning departments, the financial authorities taxed them heavily. Before the end of 1985, the railways had to pay a business tax at the rate of 15 percent, much higher than the 3 percent levied from communications, aviation, and the postal and telecommunications departments. There is also the fact that after railway constructions became financed by loans instead of by state funds allocations, no corresponding adjustment was made in the regulations governing taxes and profits which the railways had to turn over to the state, so that the railways ran heavily in debt. Because railway constructions require large investments, incur long turnover periods, and are slow in gaining full capabilities, the economic benefits from railways are again mainly displayed as socioeconomic benefits, there being little benefit for the railways themselves, which are really left incapable of repaying their debts. Not only that, loans to the railways are to a considerable amount bank credits. Under these conditions, some comrades have proposed not to worry any further about debts, which may be left to later generations to repay. This is, of course, one way to evade the dilemma, but it is not a radical solution of the problem. Because of the financial policy of levying high taxes and having the railways turn over to the state a high proportion of profits, the burden on the railways has become excessively high, a fact that is restricting railway development.

Second, the financial system of treating receipts and expenditures as two separate lines robbed railway development of much of its vitality. About 85 percent of the income of the railways is turned over to the state in the form of taxes and profits, and only 15 percent of its profits are retained by the railways. Apart from funds used for welfare, bonuses, and rewards, there is no money left as production development funds, possibly available for the expansion of reproduction. The railway administration has to turn over to higher authority about 92 percent of its income and can retain only 8 percent for own use. The fact that railways are so rigidly tethered by the financial system, adversely affects business enthusiasm at all levels, from railway branch bureaus, to railway bureaus and at the Ministry of Railways, as it also encourages the reprehensible practice of competing for investments from higher authorities, competing for projects, and leads to unrestrained spending of money, making it difficult to revitalize the railways.

Third, because of low investments and the low depreciation rate for railways, the way they have to make best use of old equipment and the way they are eating up old capital, is a serious situation. We must also realize that during the past 30-odd years, particularly during the last 10 years, the railways, although fulfilling their transportation tasks year by year, have turned over to the state large amounts of profit, but that these profits could be made only by making do with old equipment, eating up old capital, and

reducing the quality of passenger and freight services. The basic depreciation rate for fixed assets of the railways is 3 percent, which was only adjusted in 1985 to 3.5 percent. Even this leaves the rate still below the average 4.5 percent for industrial enterprises throughout the country. The depreciation rate for large renewals of fixed assets at the railways is also 3.5 percent, while transportation by rail is going on day and night in the open air in all kinds of weather with continuous wear and tear in order to fulfill the transportation task. Thus, so low a depreciation rate makes it impossible to maintain even simple reproduction, not to speak of accelerated renewals and transformations. The method of low investments and low depreciation rates, making do with old equipment, and eating up old capital, although capable of just carrying on for a time to fulfill the allotted tasks, will, if left to go on for any length of time, inevitably be "killing the goose that lays the golden eggs," with most serious consequences indeed.

Fourth, the contrast between low income and high expenditure and between fixed freight charges and variable commodity prices are other predicaments faced by the railways.

For 30 years, there have been two overall adjustments of railway freight rates, which were: first a reduction, then an increase; they are now basically at the level of the 1950's. The freight rates of the railways are only one-eleventh of the highway freight rates and one-sixtieth of the civil aviation freight rates, far below the actual value of the transportation. The freight for 1 jin of vegetables shipped from Chengdu to Beijing over 2,000 km of railway line is only 1 fen. The freight to ship 1 jin of apples from Yantai to Urumqi over 4,200 km of railway lines is only 2.5 fen. The same is more or less true in the case of freight for shipments of means of production. Maintaining a policy of low freight rates for railway transportation induces people to ship a large volume of goods by rail, thus aggravating the tense railway transport situation, a fact which is detrimental to a rational adjustment of the transport structure. Not only are railway freight rates held low, but the railways are not even entitled to benefit from any adjustable pricing policies of the state, such as granting the enterprises authority to institute floating prices, self-sales at market-adjusted prices, selling high what came in high, and granting preferential prices for high quality. Prices for raw and semifinished materials as well as coal consumed by the railways have all gone up, and among these the prices for a part of materials sold at market-adjusted prices have risen particularly high. This contrast of low income and high expenditure, rigidly fixed freight rates and variable commodity prices creates increasing difficulties for the business operations of the railways.

Although freight volume on the railways has been on the increase year by year, the main trunk lines, for the mentioned reasons, have been able to meet the needs of the public to only 70 percent. A heavy transport load as on such trunk lines as the Beijing-Guangzhou, Beijing-Shenyang, and the Beijing-Shanghai line is rarely seen on any other trunk line in the world. Coal, lumber, and other such commodities are piling up in stocks awaiting transportation, or their production is even curtailed to suit transport facilities. According to statistics of the State Statistics Bureau, the ratio between China's industrial growth rate and the rate of increases in the volume

of railway freight was 1:0.71 in the years from 1954 to 1980; it was 1:0.31 for the period from 1981 to 1984, and 1:0.31 for the first half of 1985, thus showing railway facilities becoming more and more inadequate. The serious overcrowding of passenger cars is also a frequent occurrence.

The party branch at the Ministry of Railways, on analyzing the serious situation faced by the railways, included in its first draft of the "Urgent Report," formulated on 20 May last year, the request to the central authorities to make intensive investments in the railways. On 1 July last year, when Premier Zhao Ziyang received five new ministers, Minister Ding Guangen [0002 7070 2704] proposed to Premier Zhao that, if the state is unable to make intensive investments in railways, the Ministry of Railways may be allowed to institute the economic responsibility system. Premier Zhao said that a proposal to that effect may be submitted. After extensively inviting opinions and debating the issue among specialists, the first draft proposal was formulated on 6 August and submitted to the party branch at the Ministry of Railways for discussion. After several amendments, the proposal was submitted to the central authorities on 20 September. The report submitted by the party branch of the Ministry of Railways to the Secretariat of the Central Committee and to the State Council, requesting permission to institute an economic responsibility system, evoked great interest among the leading comrades of the central authorities. On 5 October, Vice Premier Li Peng pointed out in his comment on the proposal that policies had been laid down for the communications and energy sources departments, for energy, electric power, coal, petroleum, highways, aviation, post and telecommunications, and harbors, which brought new vitality to the relevant enterprises, only for the railways there had been no solution of their problems. It may, therefore, be considered to take similar action as the method that was applied in the case of coal, and to lay down certain articles of policy for the railways. Vice Premier Li Peng, furthermore, expressed his opinions on several other special questions. General Secretary Hu Yaobang warmly supported the institution of an economic responsibility system at the railways. In his comment, written on 14 October, Comrade Hu Yaobang said that he approved of the general responsibility system, and also of starting it next year. Innumerable experiences have proven that success in our undertakings mainly depend on stimulating the initiative, activism, and creativity of the large majority of comrades; only relying on the wisdom and ability of a small minority and on methods of centralized control of receipts and expenditure cannot well solve the numerous intricate and ever-changing problems of practical life.

Premier Zhao Ziyang gave his official comment on two occasions and pointed out whether the difficulties of the Ministry of Railways could not find an appropriate resolution in the responsibility proposal. Vice Premier Wan Li had all along approved the general responsibility system and recently again pointed out at a meeting that the institution of the economic responsibility system at the railways ushers in a new era in the operations and management of railways, and that it is a courageous experiment and a major reform.

Vice Premier Tian Jiyun also demanded that the railways effectively improve their performance through a general responsibility system. Vice Premier Yao Yilin called three working conferences of the finance and economic guiding group within less than 2 months, specially for a discussion of the general

responsibility system at the railways. In February of this year, Comrade Deng Xiaoping also expressed himself in support of the proposal of the Ministry of Railways. The concern and support of the leading comrades of the Central Committee were an extremely strong encouragement for the 3 million railway staff and workers.

Under the direct solicitude of the leading comrades of the Central Committee and with forceful support from the State Planning Commission, the Economic Commission, the Ministry of Finance, the Chinese People's Bank, and the State Commodity Price Bureau, the economic responsibility proposal of the Ministry of Railways was finally approved on 22 March. It took the economic responsibility proposal of the Ministry of Railways just 10 months, counting from the formulation of the "Urgent Report" on 20 May last year. It was well expressed by some comrades when they said that the general responsibility system for the railways had "a gestation period of 10 months, and one morning for parturition." Expediting the "birth" and effecting the "delivery" were the spirit of the two Third Plenary Sessions and the concern and support of the leadership of the Central Committee and of the departments concerned.

The Practical and Theoretical Significance of the General Responsibility System at the Railways

The following are some aspects of the important practical and theoretical significance of the general responsibility system at the railways:

1. Greatly Accelerated Development of Railway Construction

First, according to provisions in the responsibility proposal, income tax and profits after taxes will be retained by the Ministry of Railways for its own use. This will do away with the financial system of having two lines, one for income and one for expenditure. It will establish a link between the development of railway construction and the economic benefits created by the railway itself, and will overcome the past "eating from the same big pot" phenomenon with its unconcern for the merits of business operations of the railways in the allocation of construction funds and with an unconcern for the amount of tax and profits turned over to the state when determining amounts of loans and fund allocations. It will encourage the railways to use income generated by the railways themselves for an accelerated development of railway constructions and will move the railways on to a track of benign cycles. Second, it will further stimulate production enthusiasm among the large number of staff and workers. Instituting economic responsibilities, particularly initiating responsibility for volume in computing ton-km wages, will lead to a better implementation of the system of distribution according to work, and will be conducive to a full development of the initiative, enthusiasm, and creativity of the railway staff and workers, as it will also contribute to a more effective fulfillment of transportation and production tasks. Third, it will be apt to induce the railways to effect careful calculations and strict budgeting, to effectively manage and use construction funds. In the past, financial reliance on allocations and loans led to dependence. Institution of the economic responsibility system, will, first, provide a stable source of funds, and, second, will have all construction and technological transformation undertaken with funds accumulated by the railways themselves,

so that the money could be used for key projects, and, furthermore, capital constructions and technological transformation could be centrally planned and arranged according to the minor, major, slow, or urgent nature of the railway construction, so that there will be rational use of construction funds, rational arrangement of work time, that investments will be used to full effect, and that the best economic results will be achieved. Fourth, it will be beneficial for the acceleration of equipment renewal, which will improve the quality of all equipment. Past depreciation rates for the railways were very low, and equipment became obsolete, backward, and in disrepair to a serious extent, with adverse effects on the efficiency of transportation and on the safety of the traffic. The present responsibility proposal clearly prescribes increases during the Seventh 5-Year Plan in the basic depreciation rate and the depreciation rate for large-scale renewals of the railways. This will be extremely beneficial for the reversal of the passive situation of doing the best with old equipment, eating up old capital, and will guarantee the safety of traffic. Fifth, it will stimulate the development of the entire national economy. The development of the railways will accelerate commodity circulation and will greatly remedy the situation, prevailing in certain regions, of determining production according to transport facilities, of piling up stocks of materials, and of similar practices. The above deal with the important significance of the general responsibility system at the railways from the angle of building up our material civilization.

2. Effective Promotion of the Transformation of Ideologies and Concepts and of the Construction of our Spiritual Civilization

In his "Reports on the Seventh 5-Year Plan," Premier Zhao Ziyang pointed out: "The reform represents an extensive, profound and sustained great transformation and will have an unprecedented impact on long-established models, traditional concepts and the forces of habit." Instituting the general responsibility system at the railways is, therefore, bound to have an impact on the spiritual life of the people and will amount to a powerful tool to smash the bonds of traditional concepts. To increase the productive forces, it is necessary to break with the concept of "all helping themselves from the public pot," and to truly practice "rewarding the diligent and penalizing the lazy" and "rewarding excellence and penalizing low quality." Instituting the general responsibility system and converting to a system of ton/km wages, comprising a quantity commitment, is bound to greatly accelerate the process of bringing about a change in the above-mentioned concepts.

Railways have the special characteristics of being "high, large, and half." Railway transportation and production must be highly centralized and under unified command; this is beyond doubt. However, excessive centralization, excessively rigid concentration of command, and excessive controls, are apt to rob the railway bureaus, branch bureaus, and even station sectors of all their vitality. An excessively rigid concentration of command amounts to a kind of vertical "splitting-apart," which in essence establishes a monopoly. Another split, a kind of horizontal split, is the setting up of a pattern of mutually closed-off operations, which in essence would establish feudal separatist rules. "The emperor's daughter need not worry about finding a husband." Monopolies and feudal estates kill competition and shield backwardness. We certainly believe that through the responsibility system at all levels, the

railways will gradually, through competition, gain independent initiative in their business operations and will certainly rid themselves of the concepts of excessively rigid concentration of command and of the patterns of mutually closed-off operations, so that the entire railway system will be imbued with an abundance of vigor and vitality.

At present, efforts are being made to strengthen horizontal links between various railway bureaus, as also between production, science and technology, and education. The locomotive and rolling stock manufacturing industry under the Ministry of Railways was originally operating according to a "mutually closed-off" pattern, on the principles of either "small and comprehensive" or "large and comprehensive." The mutually closed-off structure of the industry is now beginning to be broken down. Drawing support from the machinery trade and industry of the whole country, which is rendering assistance to the railways in the manufacture of locomotives, rolling stock, and fittings, it is now being planned to have production by the railways expand into the society in general. All these are gratifying beginnings.

Instituting the economic responsibility system at all levels of the railways from top to bottom will transform railway operations from a purely production pattern to one of production with business development. This demands of us a corresponding transformation in our mentality and concepts:

First, looking at the space element of management, there has to be a transformation from an "introverted" and "mutually closed-off" pattern to one that is "all-embracing" and "opened up." To achieve the transformation from a purely production pattern to one with business development, it is necessary to expand the scope of enterprise management from one that emphasizes production to one that embraces the entire field of economic activities. As far as factories and enterprises are concerned, concern must not only be shown to the manufacture of products, but must be expanded to the entire system of economic activities, such as projecting market needs, technological developments, manufacture, marketing, customer service, as well as circulation, consumption, and distribution. As far as the transportation departments are concerned, a pattern of management with business development demands that the railways not only fulfil passenger and freight transportation tasks according to state plan, but that, in addition, priority consideration be given to beneficial economic results, that forecasts are prepared as to the volume of passenger and freight transportation, that transport facilities are determined according to needs, that the restrictive pattern is changed into one of accommodation, and that, furthermore, concern is shown for proper customer service, so that the people will feel at ease and be satisfied.

Second, looking at the time element of management, there has to be a change from the mere concern for immediate profits, while neglecting the expansion of reproductions, to one of pursuing long-term and sustained increases of economic results, going the road that entails expansion of reproduction, practicing increased farsightedness in our work.

Third, looking at the character of work management, there has to be a shift from a purely executing pattern to one of decision making. Taking factories and enterprises as example: in the case of a purely production-type

management, the items to be manufactured and their quantities are fixed by higher authority, required capital and equipment is provided by the state, and the supply of materials and the marketing of products are affairs also arranged by higher authority. However, in the case of management of operations with business development, it is demanded of the enterprises that they independently make their own accurate decisions, in accordance with state policies and laws and based on the internal and external conditions of the enterprise concerned, in all such major questions as adjustment of the production structure, development of new products, product planning, determining marketing and service tactics, raising and using capital funds, external linkages and cooperation, and the transformation and development of the enterprise in question. In the case of transportation departments, for example, the objective pursued by a purely production-type management would be limited to fulfilling the state transportation plan, while in financial matters the state would centrally control income and expenditure, all profits would have to be turned over to the state, and capital would be allocated by the state, while losses would be made good by the state. However, in the case of management with business development, the enterprises would be asked to manage their business independently, bear responsibility for profits and losses, undertake their own transformations, pursue their own development, and practice economic contracting.

Fourth, looking at the guiding ideology in management, it is necessary to change from a pattern of merely conserving the achievements made in the past to one of creativity, from a defensive pattern to one of taking the offensive, from one of tactics to one of strategy.

Under the present conditions of transformation, opening up, and invigorating the economy, the overall situation of economic development is as follows: Without taking the initiative in an offensive attack, passive inertia will make it impossible for us to go on. An offensive inevitably requires a strategy. What is strategy? At a working conference of all railways, the leadership of the Ministry of Railways pointed out: "Strategy is a plan of action that engenders the greatest impact on the overall situation, and with a long-term effect. The overall situation is a space-oriented expansion, the long-term element is a time-oriented expansion. The overall nature and the long-term nature are the basic adjuncts of strategy." To achieve the transition from tactics to strategy, it is necessary to strengthen the systematicness and foresightedness in our work.

Fifth, looking at the degree of uncertainty, there has to be a change from a pattern of certainties to one of risks. The fact is that every advance entails risks. Instituting the economic responsibility system at all levels of the railways is beneficial for the nurturing of a rationally adventurous spirit. Taking risks within rational limits is neither conservatism nor rashness, but is based on feasibility analysis and technical as well as economic proof.

The modernization of managerial concepts will inevitably promote the spread of modernized management. The general responsibility system at the railways will, therefore, not only urge the railways on to shift from a purely

production pattern to one with business development, but will of necessity greatly accelerate the progress toward modernized management at the railways.

The general responsibility system is proposed for the railways not to provide single and selfish benefits for the railways, but for the purpose of rendering the railways suited to the development of the national economy. In order to attain identity of thinking on this basic point throughout the entire railway network, and to further strengthen a concept that embraces the situation as a whole, the leadership of the Ministry of Railways submitted to the State Council four assurances: First, instituting the economic responsibility system at the railways is definitely not a scheme in the selfish interest of the railways, but has the purpose to accelerate railway construction and to enable the railways to become as quickly as possible suited to the development of the national economy. Second, the railways will definitely be operated according to state-approved plans and will under no circumstances act on their own. Third, salaries, wages, bonuses, and welfare benefits of railway staff and workers will not exceed the average levels effective in the energy and communications departments. Fourth, financial and economic discipline of the state will be observed, and the state's financial supervision will be accepted. After a discussion of these four points, the party branch at the Ministry of Railways submitted to the entire railway network a "three-chapter constitution."

The fourfold assurances and the three-chapter constitution, which are embodiments of the concept of embracing the situation as a whole, have become a major component in the construction of a spiritual civilization among the railways. Through the "double contractual commitment" at all levels of "two tasks passed down together, two achievements gained together," we can be confident that the quality of service at the railways will be greatly enhanced, and that the spiritual scene at the railways will experience a large change in overall appearances.

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TRANSPORTATION

BRIEFS

EAST CHINA TRANSPORT--Beijing, 10 December (XINHUA)--In order to alleviate congestion on railway lines in east China the government is laying long lengths of new rails and double tracking hundreds of kilometers of old lines, China's minister of railways said here today. Speaking at an on-going national railway transport conference, Minister Ding Guangen said that east China's industrial output value accounts for about one-third of the national total, but it has only one-tenth of the country's railway lines. Consequently, the railways in the area can meet only half of the region's transportation demands. The minister revealed that 473 kilometers of new railway lines, 740 kilometers of double-track and over 500 kilometers of electric railway lines will be built during the Seventh 5-Year Plan period (1986-1990). The investment in these projects, which began this year, is about 7 billion yuan (about US\$1.89 billion). This amounts to almost one-fifth of the country's total investment earmarked for railway construction projects in the period. Ding also said, 46 freight trains and 18 passenger trains have been added to lines in the region. To help trains move faster, a U.S.-made 4,000 hp locomotive will be used on the busiest line. The new engine will be able to pull 3,800 tons instead of 3,500 tons capacity of small trains. The locomotive will be able to transport 14.5 million more tons of goods. [Text] [Beijing XINHUA in English 1243 GMT 10 Dec 86 OW] /12913

GUANGXI ZHUANG AIRPORT OPENS--Nanning, 10 December (XINHUA)--A Boeing 737 passenger plane of the Civil Aviation Administration of China (CAAC) landed at the Beihai Airport which ceremoniously opened here today. The airport, 24 kilometers southeast of Beihai city in south China's Guangxi Zhuang autonomous region. The city used to be a major port in ancient China which had commercial links with 173 ports in 87 countries and regions. It is now designated as one of China's 14 coastal cities open to foreign investment. Construction of the airport began in April last year using an investment of 35 million yuan (US\$9.5 million), according to an official in charge of the project. The airport can simultaneously accommodate 7 mid-sized planes, and is also equipped with a terminal building, aviation management building and other auxiliary facilities. "Major construction, including runways, communication and navigation devices, and light equipment for night navigation has been approved as up to required state standards," an expert in the field reported. "Airport operation will speed the city's economic development and push China's aviation industry ahead," said Guo Hao, deputy general director of the CAAC. [Text] [Beijing XINHUA in English 1532 GMT 10 Dec 86 OW] /12913

NEW PROGRESS REPORTED--Beijing, 31 January (XINHUA)--New progress has been reported in China's container traffic over the past year, with total cargo volume handled coming to 21.28 million tons, 28.6 percent more than in 1985. The volume of international container service, both on rail and air, came to 4.24 million tons, 21.1 percent more than the previous year. No delays of container service have been reported in major container docks over the past year, today's ECONOMIC DAILY reported. [Text] [Beijing XINHUA in English 1234 GMT 31 Jan 87 OW] /12913

LOCAL INDEPENDENT AIRLINES--Beijing, January 8 (XINHUA)--In addition to the state-owned Civil Air Aviation Administration, China should have local airlines run either by local authorities or by the people, said Chinese leader Chen Peixian here this evening. "There is the need to bring the initiative of all sides into full play to rapidly develop China's air aviation industry," said Chen at a reception in the Great Hall of the People on the first founding anniversary of the Shanghai Airlines. Chen is member of the Secretariat of the party Central Committee and vice-chairman of the National Committee of the National People's Congress. The Shanghai Airlines, run by local government departments and companies, is China's first local air aviation company. It has five Boeing 707 planes flying routes from Shanghai to Beijing and Guangzhou and transported 20,000 passengers over the past year. CAAC director Hu Yizhou pledged support to the development of local companies while speaking at the reception. [Text] [Beijing XINHUA in English 1621 GMT 8 Jan 87] /6662

TRANSPORTATION INDUSTRY DEVELOPMENT--Beijing, January 14 (XINHUA)--China will replace by 1990 all its steam ships and increase diesel engine trucks from the present 6 percent to 15 percent of the transport truck fleet, PEOPLE'S DAILY reported today. This is part of the country's energy conservation program worked out by the transport departments. Heavy-duty trucks will be installed with diesel engines, and trailers will be widely promoted, according to the program. The program provides that the service time for chemical vessels is 10 years, for tourist vessels, oil tanks and barges, 15 years, for container ships, passenger and freight ships, ocean-going bulk goods vessels and inland waterway motorized ships, 20 years, and for ocean-going bulk goods carriers, inland waterway barges and passenger ships and freighters, 25 years. Meanwhile, road construction will be concentrated in economic zones. During the current Seventh 5-Year Plan period, asphalt roads are to be extended to 250,000 kilometers from the present 175,000 kilometers, according to the program. [Text] [Beijing XINHUA in English 1631 GMT 14 Jan 87 OW] /6662

HIGHWAY BUILDING IN 1986--Beijing, January 14 (XINHUA)--China built more than 15,000 kilometers of highways bringing the country's total length of highways to 960,000 km at the end of 1986, the Ministry of Communications announced here today. China allocated 1.3 billion yuan (about 350 million U.S. dollars) in highway projects last year, building, widening and upgrading more than 2,500 km of highways, 8.3 percent of the total road construction completed last year. A ministry official said 1986 produced the most quality roads in a single year. Roads completed include Shenyang-Anshan, Jinan-Taian, Changchun-Jilin, Hohhot-Lamawan and Lhasa-Dagze. He said that the country also erected

more than 2,000 bridges, totalling 80,000 meters in length, including the longest bridge in the country, the Zhengzhou bridge across the Yellow River. The new highways and bridges will help ease strained conditions in some cities and on important highway routes, he added. According to the ministry, China's highways moved 4.3 billion passengers and carried 670 million tons of goods last year, both showing a three percent increase over the previous year. [Text] [Beijing XINHUA in English 1019 GMT 14 Jan 87 OW] /6662

CONTAINER TRANSPORT SERVICE'S SUCCESS--Beijing, January 24 (XINHUA)--China's land, sea and air container transport service has been appreciated by customers at home and abroad, PEOPLE'S DAILY reported today. Last year China shipped containers totalling 21.3 million tons domestically and its ports handled 4.2 million tons of international container shipments, the paper says. An official of the State Economic Commission, quoted by the paper, said, "The Chinese Government is adopting measures to boost container shipment in order to handle more business orders worldwide." The paper notes, "Since last October, 34 railway stations in China have offered international rail and sea container transport services, and to date have handled 17,000 tons. China has opened container shipping routes from Qingdao in Shandong Province to Southeast Asian countries and air routes from Guangzhou, capital of Guangdong Province, to Hong Kong and Manila, have been added. Container transport service also links Hong Kong to the United States and Canada. To increase container transport capacity, China has built 18 international container transit stations in coastal cities and 32 stations along the North-South trunk railway to Beijing-Guangzhou and the East-West trunk railway of Lianyungang-Lanzhou. Ten-ton containers and special trains produced by the Ministry of Railways are now in trial-operation, the paper reported. [Text] [Beijing XINHUA in English 0829 GMT 24 Jan 87 OW] /6662

XINJIANG TO UPGRADE 13 HIGHWAYS--With a view to changing the backward situation in highway transport, Xinjiang has decided to lay stress on the transformation of 13 main highways within this century. These 13 main highways are from Xingxingxia to Urumqi, from Urumqi to Ili, from Wutai to Bole, from Hutubi to Karamay, from Karamay to Altay, from Karamay to Tacheng, from Beitun to Urumqi, from Daheyan to Korla, from Korla to Kashi, from Kashi to Hotan, from Kashi to Hongqilafu, from Kashi to (Puerzake), and from (Tianshuihe) to (Huoerguosi). The total mileage of these 13 main highways is some 5,500 km. Of them, 10 main highways connect 19 prefectures, autonomous prefectures, and cities, 50 counties and cities, and 10 agricultural divisions of the production and construction corps and also connect the petroleum, coal, and chemical and metallurgical industrial bases of our region. They also run either parallel to or link up the north and south Xinjiang railroad and Lanzhou-Xinjiang railroad. These 13 main highways have played an important backbone role in the economic construction of Xinjiang. After transformation, the road surface of the majority of these highways will reach the standard of a grade-2 highway and make it possible for the motor vehicles of our region to travel at high speed and allow large motor vehicles to run or to take other vehicles in tow in our region. [Text] [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 5 Dec 86 HK] /12913

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MINERAL RESOURCES

CHINA'S ORE PRODUCTION RANKS FOURTH IN WORLD

Beijing JINGJI RIBAO in Chinese 4 Sep 86 p 1

[Article by Gao Duanfang [7559 4551 5364]: China's Annual Ore Output Nearly 1.5 Billion Tons; Aggregate Output Value of Mining Industries Ranks Fourth in World]

[Text] The mining industry, a pillar of China's economy, currently ranks fourth in the world in aggregate output value, as it reached nearly 60 billion yuan in 1985.

Large-scale geological surveys have shown that China's mineral resources are relatively complete and reserves of important minerals are fairly abundant. At present, reserves of 137 kinds of minerals have been discovered. Among these are coal, iron, vanadium, and 25 other important minerals whose reserves put them in the front ranks of the world. China's numerous mineral resources can basically satisfy the needs of economic development; 10 kinds are in excess and can be exported. Mineral resources constitute the foundation of the raw materials industry and related processing industries which account for 60 percent of the annual GVI0. In 1985, aggregate output of mineral ore was nearly 1.5 billion tons, which placed China in the front ranks of the world; it was also more than 30 times greater than in the early years after liberation. Based on the results of the mineral resources survey, mineral mining has developed on a comparatively large scale. Throughout the nation more than 6,000 state-run mining enterprises beyond the county level and more than 120,000 township and town collective and individually run small mining enterprises have been established.

Relying on technological advances which have raised both the recovery rate of resource materials and the level of integrated utilization, great strides have been made in recent years. The coal department, which has overall control over coal mining nationwide, is helping to spread pillar-less coal mining and other new technologies. During the Sixth 5-Year Plan, more than 36 million tons of coal were retrieved. The Daqing oilfield has long been utilizing water flooding and other new technologies. Crude oil production has been steady for many years at 50 million tons. The Silver and Nonferrous Metal Co., has fundamentally improved refining technology. From when it began operations until 1984, the value of mineral resources utilized through integrated retrieval was 1.2 billion yuan, which was 24 percent of its total output value.

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